

TRUDEAU
TRADE VS.
HUMAN RIGHTS

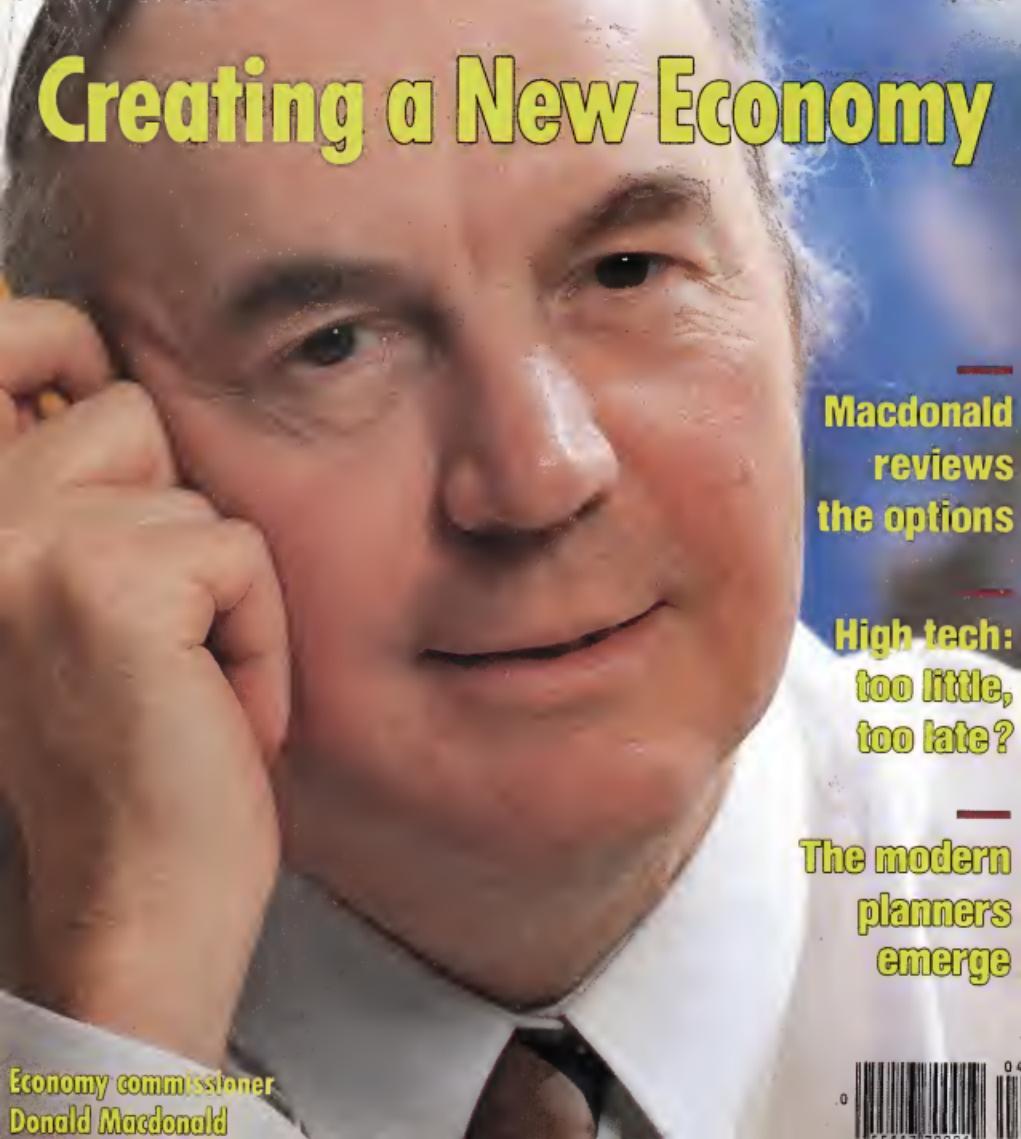
CANADA'S WEEKLY NEWSMAGAZINE

macleans

JANUARY 24, 1983

\$1.25

Creating a New Economy



Macdonald
reviews
the options

High tech:
too little,
too late?

The modern
planners
emerge

Economy commissioner
Donald Macdonald





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CANADA'S WEEKLY NEWSMAGAZINE

Maclean's

JANUARY 24, 1986 VOL. 86 NO. 4

COVER

Creating a new economy

High tariffs or free market? High tech or established industry? The options are almost endless as the fledgling Maclean's commission gets down to analyzing Canada's economic迷局. But at least, with the exception of an imaginative new breed of economic strategists, there is no lack of expert and, in many cases, original and stimulating advice. — Page 16

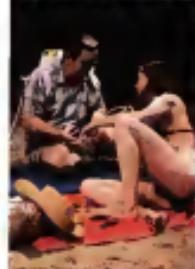


COURTESY PHOTO BY JEAN-MICHEL HACHEAU



Sad price tag on trade

In his second week of Far East trade promotion, Pierre Trudeau adopted a "see no evil" stance on human rights as he prepared to trade in high-level meetings. — Page 10



A stage in transition

With its new artistic director, Clark Rogers, at the helm, Stratford's venerable Theatre Royal Stratford East is once again a vital energy with high aspirations. — Page 54

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The Oval Office in disarray

As the Reagan administration reached mid-term, struggles between right-wing ideologues and pragmatic centrists began to interfere with policy. — Page 26



A downhill slide

While western Canadian ski slopes sport good snow and new resorts, eastern hills have seen millions of tourist dollars melt away in the warm winter. — Page 49

LETTERS

On Catholicism

Your comprehensive analysis of the Catholic church in Canada today is most welcome (A Church Divided, Cover, Jan. 18)—especially the clarification of issues. Most people of my age (60) have been confused ever since Vatican II.

—J.V. LUTTON,
Blackwood, B.C.

I for one will not be waiting for Sister Veronique O'Reilly to become a priest. Jesus Christ was a man. The Apostles were men. Like St. Paul's interpretation in Corinthians that women keep quiet in church and not be in charge.

—WILHELMINA STOPEK
Toronto

Your writer parades the tired can of left-wing hagiographies and theologians used by the media for the past 25 years. They do not represent Catholic orthodoxy. These "experts" on Catholicism are opposite to a left-wing philosophy that espouses the Marxist option, which is incompatible with Roman Catholic teachings. Moreover, Bishop René De Rio and his associates do not have the ear of Roman Catholics. Most stopped listening to them when Trudeau and others legislated the present abortion laws without a whisper.

—ROBERT HEBERT
Toronto

Standing up to anti-abortionists

Harvest with an early vote for the Munro Hospital as 1983 Hospital of the Year, for standing up to the Right to Life Association, which feels that it is its God-given right to impose the views of a



COURTESY OF THE MACLEAN'S ARCHIVE

vacant majority on everyone else. As stated in your article, *The Doctors Defy Antiabortionists* (Tales Canada, Jan. 18), anti-abortion campaigns unfortunately do not stop unwanted pregnancies, nor do they stop abortions. It is sad that hundreds of thousands of dollars are spent by groups trying to involve themselves with an individual's personal life when educational, financial and other programs for children are facing cuts. If there is a right to life, let it be that people have the undeniable right to the safest medical procedures that they require.

—RONNIE MELISSON
Crombie, Ont.

The right to die in French

I have just finished reading *Levesque's Party Brewed* (Greycat, Canada, Jan. 18) and I am disgusted. In the life of Sophie Levesque Guy is empty that she has nothing better to do with her time than cause grief for those very people who cared for her mother during her last days on this earth? I was not aware that death was particular about language.

—LORENNE BILLEAU
Out Kegly, Sask.

Perhaps now these self-styled intellectuals, narrowminded historians and West-moson parvenus who have been hectoring the English community to accept Bill 101 and the primacy of French might finally realize that this ridiculous piece of legislation is not a passive intellectual exercise but draconian in design and anti-English in intent. The brutal truth has been driven home that language can be legally suppressed before the community, under threat of threat, and compelled to defend a charge of language law transgression. Do the laws of Canada also apply in Quebec?

—TERENCE P. GRIFFIN
Dorval, Que.

PASSAGES

1924 Nikolai Podgorny, 79, former president of the Soviet Union and a member, with Leonid Brezhnev and Alexei Kosygin, of the triumvirate that ruled the country from 1964 until 1977, of what was described as a long illness, in Moscow. A capable and quiet activist, Podgorny rose in the party ranks to become chief in his native Ukraine before becoming national secretary of the Communist Party under Nikita Khrushchev in 1953. He was ousted by Brezhnev in 1971.

1925 Ross A. Henegar, 53, the Halifax-born president of Sunair Inc. of Toronto, and four other employees of the oil company's power plant in Philadelphia, Pa., after their two-engines Douglas DC-9 twin jet crashed in a field south of Toronto minutes before an scheduled landing. Transport Canada officials are now investigating the airplane's electrical systems, structure and engine.

1926 Major Lansky, 81, the Russian-born reputed mastermind of organized crime, in a Miami hospital. Lansky financed gambling casinos in Cuba and the Bahamas before moving to Miami in the mid-1950s. A statement of his about the underworld, "We are bigger than U.S. Steel," was used by Lee Strasberg in *The Godfather* Part II.

1927 Arthur Allan Taylor, 30, an president and chief operating officer of the Royal Bank of Canada effective June 1, to replace Jack E. Finlayson, by the board of directors, in Montreal. Taylor joined what is now the largest chartered bank in Canada in 1946, working his way up from branch manager to manager of the Toronto main branch in 1969. He is currently executive vice-president for international banking.

1928 Helene Kondlauchuk, 30, with terrible entry, in Ottawa, after Margaret Trudeau reported that a man had tried to get into her home. The estranged wife of Prime Minister Pierre Trudeau said that she was no longer two of her sons back from school. But when she opened the door, an intruder managed to get a foot inside before she and a friend shot him out.

1929 Claude Roberge, 41, the engineer who was appointed by the former Robert Bourassa to oversee the building of Montreal's 1976 Olympic facilities, to pay a fine of \$30,000 for removing favors from government contractors between 1971 and 1979 while he was a Quebec deputy minister of transport, by Montreal Sessions Court Judge Raymond Bertrand.

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FOLLOW-UP

Winnipeg's upbeat note

When sky-high growing Koenan Konsen, the 33-year-old music director-designate of the Winnipeg Symphony Orchestra, arrived in Winnipeg on Nov. 29, he was accorded a triumphant welcome that would have baffled Mozart himself. The festivities included a send-off at the airport by the 60-member Winnipeg Youth Orchestra, official greetings downstage by Lt.-Gov. Paul McGonigal and Mayor Bill Morris, the erection of a 30-foot-tall double-decker sign on the Westin Hotel and enough fattening marmalade to feed Mozart's army for months.

That the city seized the occasion of Konsen's arrival for festivities is not surprising, since the besiegued won has provided the people of Winnipeg with no other cause for celebration in recent years. In fact, the 47-member orchestra has been leaderless and floundering since Sept. 30, 1980, when conductor Peter Grauber resigned and the orchestra's manager and assistant manager were fired (Winnipeg, Sept. 22, 1980). After two years of bitter feuding, the WSO was \$800,000 in debt and teetering on the edge of bankruptcy. After rescue efforts failed, the entire 31-member board of directors resigned, making way for six government-appointed trustees.

Following speculations that the orchestra would disappear altogether—the music critics last year by the Atlantic Symphony Orchestra in Halifax when it ran into serious financial difficulty—a decision was taken to try to reverse the WSO's fortunes. Since the arrival of Jack Mills, 55, formerly of the Toronto Symphony, as executive director in Winnipeg two years ago, a painful recovery has been under way. Although the orchestra still has an accumulated deficit of \$865,000, more than \$1 million has been raised in public and private donations in the past two years. To supplement the ongoing direct-mail fund-raising campaign, an ambitious matching-fund drive is scheduled to be launched this week as more than 160 volunteers begin calling on 500 businesses in an appeal for money. Says an optimistic director of fund-raising, Leiloue Johnson: "Our goal [for 1982] is \$335,000, and we met that last year."

Artistically, the orchestra has struggled along with a various guest conductors while a five-member search committee sought a replacement for Grauber. Eight months later it chose Konsen from a field of 300 potential maestros, but he does not become full-time music

director and conductor until September (he is guest conducting at the WSO for the winter season), when he begins a three-season contract, the terms of which specifically forbid him to reveal his salary (it is estimated at \$75,000 a year).

Japanese-born Konsen, still little known in Canada, was music director of the New Japan Philharmonic in Tokyo from 1975 to 1980. Although his musical background is strong, Konsen's command of English is shaky. Still, that is not expected to interfere with his ability to communicate musically. He promises a balance of classical and modern music, including compositions from Ja-



Konsen: Measured and inspiring

pan and Canada, and says that his immediate aim is to forge a distinctive musical personality for the long-suffering orchestra.

So far, Konsen's enthusiasm has captured the interest of Winnipeggers. Overall season ticket sales are already up 30 per cent over last year to 6,000, and some events—the Page concerts and children's programs—are sold out. Mr. Mills remains guardedly optimistic about the orchestra's future. "There are no quick fixes with the kind of problems we have had," he explains. "But I think you will find excellent growth over the next year or two."

—PETER CARLYLE GORDON in Winnipeg, with Jane Menges in Toronto



Powers (left); Vogel, united in meeting to keep the "slave trade" afloat



Freedom with a price tag

It is either called a cynical transaction or a humanitarian service. Few, however, would contend that the practice of exchanging prisoners in East German jails for West German money is pretty. The trade has existed for almost 20 years, and as a result an estimated 17,000 people are free and East Germany's coffers are richer by some \$600 million. But the traffic in human beings—across such distances as West Germany—has become a trade that government officials talk about the trade, privately only after they leave office. The East keeps quiet out of embarrassment. The two Germanys, formally opposed on many issues, oddly collaborate on keeping the "slave trade" afloat. German who knows all is Erhard Barth, the West German official who, in his days as engineer of the first exchange when he was federal minister for intra-German affairs in 1962. Now, Barth has returned to the business of buying prisoners out of East Germany.

Barth, once again head of the intra-German affairs portfolio, under Chancellor Helmut Kohl, took office in Berlin in October. But Barth, now 58, does not find the secret exchanges with East Germany any more savory than he did two decades ago. Writing about the initial phase of the practice in his memoirs, published in the early 1970s, Barth declared: "The price for the prisoners was determined as an individual basis. Bidding. It was fixed according to the prisoners' human and political weight."

The secret traffic has grown dramatically since Barth's day, when only a handful of prisoners was involved. The first trade came in 1958, when East German lawyer Wolfgang Vogel, who had earlier helped to arrange a swap of Soviet spy Rudolf Abel and American

armaments and a dozen or so lesser spies. In fact, seven years ago Vogel was awarded East Germany's Order of Merit for service to his country. His services included agreeing the highest possible price tag of \$100 for hostages. According to the society for human rights, the current rate for prisoners is \$12,000 for a worker, \$15,000 for a teacher and \$80,000 to \$88,000 for a highly qualified doctor or scientist. But the price tag also varies with the offense—among the most bizarre is attempting to escape from East Germany—length of sentence.

The human transaction stopped in 1979, when the East German government, stung by Western media attacks on the practice, suddenly broke off contact with Barth. The East German's need for hard currency soon overrode its scruples, and the traffic quietly resumed in mid-1980. The change suited Barth. It has always been West Germany's contention that the trade, however cynical or immoral, served humanitarian interests. The practice also awards Barth's overall view that the more links he establishes with East Germany, official or otherwise, the more it can persuade the East to take a softer stand generally on human rights. Vogel himself has fully rejected ethical objections to the long-term scheme. "Who is morally better?" he once asked in an interview. "He who buys or he who sells?"

Although Barth's new conservative government in Bonn may be less keen than its predecessors on pursuing détente with East Berlin, it is unlikely that it will not want to stop the traffic in humans. As Helmut Kohl, the West German's new leader, told the International Society for Human Rights, a body that monitors the East, the August release brought the number of people released off the lists to 800.

Vogel, 57, still handles the East German side of negotiations in the multimillion-dollar trade. A flamboyant figure who enjoys the deep trust

of his superiors in Bonn, he has been

in charge of negotiations on prison exchange terms with East Berlin and holds a permanent exit visa that permits him to travel to the West whenever he pleases. Vogel also dabbles, as occasion arises, in arranging straight spy swaps in which money does not change hands. Vogel, for example, pulled most of the strings when East German master spy Günter Guillaume was traded in a clandestine October, 1981, deal involving a number of gov-

Powers (left); Guillaume: High-stakes for the hostages



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COLUMN

Lead us or leave, prime minister

By Dian Cohen

Dear Prime Minister: Canada has long needed a leader with the tact, skill, ambition and diplomacy essential to sell what has been for millennia the major medicine of industry and recession.

Indeed, we have had a leader who has suffocated over confrontation, is arrogant and pathetically condescending. Almost since the April day in 1968 when you took office, your biggest mistake has been to equate toughness with leadership. This negative attitude was, once again, illustrated just recently when a group of Right-Centre MPs who oppose the universality of full employment in a market as risk as ours, pleaded for your government to give a higher priority to a situation that results in a much hardship. You responded, sir, by trying to defuse the private: "...the bishops are not necessarily better economists than other economists," you said.

Sir, you may judge the concerns of Canadians. Your government's response to economic events of the past few months leave such a feeling of déjà vu that one is hard-pressed to see new ways out of the mess. Your diagnosis of the bishops' concern simply mirrors your past responses to other pressing issues. Your policies create such feelings of anxiety, hostility and even hysteria that the basic problem gets lost in the polarisation of opinion and the defiance of position.

Since 1969, when unemployment was hovering at about 4.5 per cent, you launched your first anti-inflation drive, suggesting that you were prepared to accept as you unheard-of an overall unemployment rate in the price of stability.

Then, in 1970, with an unemployment rate of 6.5 per cent, such an unusual group as the Conservative Board of Canada and the CD Howe Research Institute criticised your economic policies, you responded by saying that all those who did not wholeheartedly endorse the policies of your government were "revisionist post-modernists" who "believe at all the little things that go wrong in the system."

Now, when people living on land that was to be expropriated for the proposed Pickering airport east of Toronto expressed concern about their date and told you, "You're stealing our land," you quickly replied, "Why don't you call a policeman?"

Since your arrival in office, Canada has experienced three recessions—in 1970-71, 1975 and 1982. Between the recessions the economy has, for the most part, operated disappointingly below its potential. Not once have you responded with compassion to the deeply felt concerns of people fearing for their livelihood. In 1971 in Victoriaville, Que., you suggested that the unemployed are in the "front ranks of a new leisure class"; in 1975 you said to *The Montreal Post* that some people are "going to get their asses kicked"; in 1982, to the people in Salmon Arm, B.C., you made rude gestures with your fingers.

Actions and statements such as these, Prime Minister ("We're not Batailleux"™, "Money is in motion"™, "Well, why should I sell the Canadian farmers' wheat?", do not silent co-operation or inspire a desire to pull together to solve the economic problems troubling us all. What that country really needs, first

The nearly two million Canadians who are unemployed cannot wait for deliberations of royal commissioners'

and foremost, Prime Minister, is a clear-cut statement committing you and your government to full employment. A parliamentary white paper on employment and income to that effect was written just after the Second World War. Canada also signed the United Nations Charter in which articles 80 and 66 embody what has been called "the first employment pledge."

Yet, sir, Canada did not experience full employment since during the 1970s. In fact, during your entire 14-year term, only once—in 1980—did Canada's claim to being even with a halting chance of full employment. You may remember, sir, that it was in this same year that, with inflation at 4.5 per cent, you launched your first anti-inflation crusade.

There has been a tendency, Prime Minister, for you to dismiss the ideal of full employment, historically defined as less than four per cent out of work. But your government has suggested, at times, that generous unemployment insurance benefits mean that more people do not have to look for a job, so the hardships of unemployment are less

onerous than they once were. At other times you have suggested that Canadians don't really want to work, that the "real" unemployed are, basically, neanderthals made between the ages of 25 and 45. There is, however, a very good reason, sir, for a whacked-out commitment to the concept of full employment: unless there is a job available for every person who wants one, it will forever be impossible to solve our country's other problems.

Neither economic growth nor the elimination of poverty nor the equitable distribution of our economic resources are achievable without full employment. Redefining the full employment concept, sir, so that it will not only not do, Sir, you are changing, making offensives, fager gestures, handing the problem over to the private sector. It is interesting, sir, that you, who apparently have "hands off," find it easier to set up welfare programs to give people money than to set up work programs to give people jobs.

In addition to a commitment to full employment, it is essential that we have other clear-cut and specific statements from you. Where do you want the economy to be, two and five years from now? How does your government plan to achieve these goals? What do you expect of us, the public? The answers to some of these questions would go a long way toward resolving the great uncertainty that has been one of the most frightening aspects of Canadian life since your government took office.

The problems today, sir, are pressing. The nearly two million Canadians who are unemployed cannot wait for the results of the diffabulations of politicians or royal commissioners. They require urgent action. You, Prime Minister, were elected to lead this country, which is currently crashing in the depths, not because we do not have the tools to get back on an even keel but because the goals have not been in sharp focus, and the leadership has been less than adequate.

If you cannot immediately provide us with a specific program, I would suggest, Prime Minister, that a first step toward getting this country back on its economic feet would be your imminent departure. If you cannot lead us, leave us.

Sincerely,
Dian Cohen

Dian Cohen is a Montreal-based insurance writer.





Trudeau with His Majesty the Yang di-Pertuan Agong of Malaysia, Philippines President Marcos and wife, Imelda, and



CANADA

The price of salesmanship

By Mary Janigan

It was a journey haunted by the age-old problem of man's inhumanity to man. As Prime Trudeau struggled through the second hectic week in his 18-day tour of seven Far East nations, the list of his destinations became a geopolitical litany of Amnesty International offenders in each nation—Malaysia, Indonesia, Brunei and the Philippines—the violations of basic human rights have been blatant and callous. In each nation the prime minister himself, the moral effusiveness by largely ignoring it. Trudeau clearly did not want to rock the diplomatic boat during his round-trip to raise Canada's trade prospects with the Far East. But in every visit, despite the whole tour left the impression that Canada had abandoned its traditional moral posture—in exchange for more sales.

The prime minister's flattery stated his "new and improved" attitude in Singapore when he was asked about Malaysia's claim to human internal security, which allows the government to jail critics without charge or trial on the basis of a大臣 under from the home affairs minister. Trudeau first explained that Malaysia is plagued by Communists insurgents. "It is not only a right but the

of governments to stamp out communism." The next day Malaysian newspapers construed the statement as an endorsement of the repressive laws. Said Trudeau, "I don't visit other countries with an intention of telling them how they should run their own affairs—I often seek occasions for telling leaders of countries thatarelance with Canada would be better and their reputations in the democratic world would be improved if they did much and so—but I want to make it quite clear that I'm not going there with the purpose of trying to right any wrongs."

Later, Canadian officials reiterated the point at a turbulent press briefing in the Philippines by downplaying human rights questions as "sensitive" and "Alice in Wonderland." The pressmen insisted that Trudeau's place to represent his country would not be damage Canada's trade prospects—and as nothing for the unfortunate prisoners. "Quite a long time ago we decided that if we started applying the individual criteria of Canadian good behavior to all our trading partners, we're not going to be trading with anyone," admitted one senior official. He added that Trudeau was not going to "unname unemployment" in Brunei for a free ride in the Philippines.

The prime minister's visit was, however, a boon to the Canadian business community, which is competing for everything from a new oil refinery in light-rail contracts. Entrepreneurs

Trudeau, in his role as spokesman for big business, applied the same logic to Malaysia. Three weeks ago the Malaysian government received a 20-page report prepared by a committee of seven human rights lawyers from the United States, Britain, France and Japan. The document declared that political detainees have been tortured, held incommunicado for 60 days at a time, and subjected to brainwashing. Trudeau inquired about the reported severity, but he did not press the point and he appeared and behaved as if the report did not exist. In Malaysian law, one citizen, which represents almost 80 per cent of the citizens in Malaysian universities for Malays, forms Chinese Malaysians. In an effort to schooling a result, there are 500 Malays on scholarships in Canada and 8,000 Chinese Malaysians studying here who receive no government help. Canadian taxpayers are thus subsidizing discrimination. Trudeau dodged those thorny issues—even when the Malaysian complained about Canada's naming treaties free.

The prime minister's visit was, however, a boon to the Canadian business community, which is competing for everything from a new oil refinery in

briefed Trudeau on their products and problems. They rode on his entourage into meetings with high officials and were satisfied when he promoted Canada's expertise in such fields as timber products and forestry.

The pattern of growing brashness for improving trade prospects was the theme in every Trudeau stop. In Indonesia, which received \$30 million from Canada last year, the prime minister tactfully overlooked the Suharto regime's continued repression and the apparent genocide in East Timor—an island that Jakarta annexed in 1975. In January, 1982, Indonesia adopted a controversial policy, forcing companies to take back the value of their business contracts in proceeds from a list of 22 local commodities such as palm oil. Although the Canadian International Development Agency and the Export Development Corp. have put together a \$300-million package to finance a key new transnational project, Canadian firms subject to that list are referring to it as "a list of companies we don't buy from." "We're not trading companies—we're manufacturers," grumbled Roger Hiebert, the marketing director of the smelting Sydney Steel Corp., which had just signed a \$5-million contract to produce steel rods. Although Trudeau threatened to withdraw the financing package if Canada did not get an exemption, the Indonesians have so far refused to budge in their insistence on barter.

In Brunei, oil-rich Brunei, a British protectorate that is due to receive independence in January, 1984, the oil-producing sultans rules in 200,000 subjects with absolute authority. Denied by the sultans of their goals, the Bruneians were advisory. Trudeau was as charming as his hosts—but he angled for a share of the massive oil-profit investment pool (surplus revenues last year were \$5 billion).

As for the Philippines, Amnesty International's charges against the authoritarian rule of President Ferdinand Marcos ran to 127 pages in a report published last September. Amnesty claimed 36,000 political prisoners, 28 cases of torture that resulted in at least one death, "disappearances" and extrajudicial executions. The government, according to Amnesty, singled out trade executives and religious workers for special treatment. Fearless government repressive, even Telix operates for the Manila firm of Stauffer Telecosa originally refused to send journalists' stories—including this report—because they were "not good to the government." The workers finally relented when Canadian Embassy officials forcefully intervened. Obedient to this future, Trudeau made a hasty pitch to the Asian Development Bank for more procurement contracts. Only 2.3 per cent of the direct procure-

ment deals go to Canada—although it contributes 43 per cent of the bank's total capital.

Trudeau's avoidance of human rights problems stands in marked contrast to his formidable concern for the North-South dialogue. In each nation the prime minister assured his hosts that Canada is committed to an overhaul of the international economic order. Each country responded with lavish praise and high hopes. Compared to the warmth of Trudeau's reception, editors and critics at home complained that he was simply on holiday. In Indonesia, the most scathing reporters the sayings: "If I were in Canada now, I would probably just be ending a week's strike, which everybody else is doing if they're not somewhere in the Caribbean." The most dismal of the 128-per-cent rates employed in Canada, and the expressed alarm—many saw Canadians wondering about the hidden human price tag for Canada's corporate contracts. □

Trudeau and Sacks of Thai Temple

By David B. Weller

Special to The Star

OTTAWA—Prime Minister Pierre Trudeau's visit to Thailand last week to face the tense final countdown to his leadership test in Winnipeg late this month. He was greeted with both toasts of comfort, in the form of a headrace-walking pall suggesting that three-quarters of the party would be behind him in Winnipeg, and toasts of concern in the form of a many aquable between would-be delegates. Peter Worthington and his officials. The former Toronto Star editor was reduced delegate status as the grounds that he was "deemed not to be a supporter of the Progressive Conservative party." His secretary demanded Clark and launched a well-aimed Clark and the party's executive. At the polls and the polling booth, however, the only unequivocal result was that the Federal Tories have an unmatched talent for making trouble for themselves.

The poll, a \$4,500 effort conducted by Carleton University's School of Journalism on behalf of Southern News, surveyed 502 of the 2,800 potential delegates and indicated that 35.7 per cent of delegates opposed a leadership contest. The Carleton poll has a short but impressive track record. Before the 1981 EC convention, the results of a similar poll conducted for Maclean's were within decimal points of the actual outcome—a 46-per-cent ratification of Clark's leadership. But this year's results proved incredibility and singularly. Only Clark's most optimistic supporters are calling for a 75-per-cent showing. His critics predict a 50-to-60-per-cent endorsement. "I just can't see the figures going as far off the mark as Clark's perception," said Tom O'Neill, the party's in-house pollster. Alan Gregg, and the survey's "dangerous" author, said that the poll's reliability of the sample and the assumption that public opinion polling techniques can be used to predict the results of a "yes-or-no" vote in a political convention. "I wouldn't do one of that," said the president of DMR Research.

The Worthington factor effort the poll results: "I think under Joe Clark that party is going to be dead for another generation." Worthington said bluntly in a television interview. He then added that he would join the Liberals if they made John Turner their leader. "How's that for heresy?" asked an unapologetic Clark. "With friends like that..." He did not need to finish the click.

—CARL GOATLEY OTTAWA

Solace for Clark but little true joy

Sporting neither a tan nor the look of a truly rested man, Joe Clark returned from his Christmas vacation in the Bahamas last week to face the tense final countdown to his leadership test in Winnipeg late this month. He was greeted with both toasts of comfort, in the form of a headrace-walking pall suggesting that three-quarters of the party would be behind him in Winnipeg, and toasts of concern in the form of a many aquable between would-be delegates. Peter Worthington and his officials. The former Toronto Star editor was reduced delegate status as the grounds that he was "deemed not to be a supporter of the Progressive Conservative party." His secretary demanded Clark and launched a well-aimed Clark and the party's executive. At the polls and the polling booth, however, the only unequivocal result was that the Federal Tories have an unmatched talent for making trouble for themselves.

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—CARL GOATLEY OTTAWA

The mole that slipped away

There is nothing Ottawa likes better than a good spy story. The *Star* tends to be simple ("our" side versus "theirs") and, the details often, and the results hardly ever, add up to the accuracy of the *Warren Report*. A perfect example of the genre circulated in the capital last week. It featured a greedy Soviet spy, a secret rendezvous in the Ottawa Ritz, messages left in hollowed-out sticks, and a classic list of bungling and petty law-breaking as the purveyors of the RCMP's bungling security service.

Entertaining as the story is, it may be difficult for the opposition to generate much political heat from such old news. For one thing, stories of Montreal misdeeds have become almost commonplace in Ottawa in recent years. In addition, the latest reported scandal

varies critics to say for Canada. When Prime Minister Pierre Trudeau refused to back down, the Soviets made good their threat. Unfortunately for them, they planted their damaging information in a Soviet publication and released the details, in English, through their embassy. The story was considered mere propaganda.

It now appears that the Soviet story was true. In their test to provide a false identity for their potential mole—allegedly an Anatoly Maxinov, a middle-aged Soviet trade representative—the Mounties forged documents and faked passports. But their greatest indiscretion was meeting with the wary Maxinov in Basel, Switzerland, and New York shortly after Trudeau had publicly vowed that the force was engaged in no such clandestine operations outside

more money from the Mounties and providing consistently misleading information. When Canadian agents learned how easily Maxinov was able to manipulate license plates and encrypted instructions, they began to suspect him of being a well-trained KGB double agent. In any event, Maxinov disappeared in 1977, taking with him a list of questions the RCMP wanted answered concerning the locations of defense plants in the USSR, and, of course, the activities of Soviet spies in Canada.

No one is quite sure what happened to Maxinov. However, if he was a genuine defector and not a double agent, he may have been betrayed by the Mounties' own blunder. According to Macdonald's story, in 1977, 30 years after the Mounties first approached Maxinov, the Soviets approached a Montreal RCMP agent, Cpl. James Wood. Wood was friendly with the "dirty tricks" and responsible for the numerous Mountie bunglings and bloopers of the early 1970s. Because of the bad publicity the defector was receiving, Maxinov was out of favor with the Soviets. The Soviets also knew he had familial and health problems—he looked like a perfect recruit for their sole spy. However, when they approached him, Wood went right to his superior, who told him to co-operate with the Soviets in an attempt to penetrate Moscow's spy network. There ensued a series of cloak-and-dagger meetings in the Gatineau hills and secret signals passed at Ottawa shopping malls, involving 12 Soviet Embassy personnel. At all times, to reiterate his point, to reiterate his point, Wood told his Soviet contacts about an active attempt to recruit Maxinov on a train in Montreal in 1973. What Wood did not realize—and what he apparently failed to tell the Soviets—is that the Maxinov was still working with Maxinov. Macdonald says Wood's amateur blunder may have cost Maxinov his life. Of course, the former mole is now living a comfortable Ritz pension in a Moscow suburb.

For Macdonald—who spent six weeks piecing together his bizarre story—the only salutary message may be re-named news for the long-penned tough official secret: "A new day may stop secret security sources from talking to reporters—and I pray the government would like that," he says. As his own story shows, the government may not be worried so much about a security risk as about the risk of embarrassment.

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Erola (left) and Brady delighted at the somewhat belated response



Soviet Embassy in Ottawa: the implausible now appears to the Dose

occurred five years ago, and most of the culprits have since been quietly reprimanded or sidelined. Nonetheless, the details—uncovered by Ottawa Citizen investigative reporter Neil Macdonald—shed a revealing light on an otherwise uneventful chapter when spans seem to span most of that time, spying on other spies.

The story almost got out in 1976 when the Soviet Union tried to blackmail Ottawa into the agreement to expel the Kremlin's spy-carrying Ritz. Explains a source of spying: "If Canada went ahead with all of the expulsion, instead of keeping the number at five, the Soviets warned that prime ministerial aide Jim Head, the U.S. Ritz, would reveal embarrassing details about RCMP efforts to recruit a So-

urprised it will cost the government about \$1.3 billion in 1985—but that it is not fair to levy any such exemption if it is regular. Because it says off most headlined tax brackets, the 25-per-cent bracket, the same exemption is worth only \$50, and it is worth nothing at all to someone too poor to pay any income tax. In 1982, when the maximum exemption was \$111, it was worth nothing to a family with two children which earned less than \$5,000 a year but represented a tax saving of about \$800 to those in the \$30,000 bracket, \$800 in the \$35,000 bracket and \$500 to those earning more than \$110,000.

Brady also argues that the exemption works against the interests of working wives and consequently against families who need two incomes to make ends meet. The maximum exemption for the 1983 tax year is set at \$3,369. But if the spouse (usually the wife) makes more than the exemption, the taxpayer cannot claim the exemption. Brady may have been exaggerating when he said in the *Star* that "It's the most regressive family tax in our society that allows a woman to stay at home." Still, fully 60 per cent of wives who live with their husbands and have children aged 10 to 15 are in the labor force. (Among widowed, separated or divorced women, the rate is closer to 70 per cent.) Furthermore, federal tax figures show that there are proportionately fewer claimants for the exemption in the lower tax brackets than in the higher ranges, where more women can choose to stay home.

What makes the level of public concern over the issue surprising is that it is not an especially free-float idea. The Royal Commission on the Status of Women, headed by Senator Florence Bird, advanced the case for abolishing the special exemption back in 1959, and the nation has since been reprimanded by the Senate. Bird was on hand to support Erola when the minister told reporters somewhat deliberately, "I'm not bringing forward an idea that has not been around for some time."

The chief complaint against the ex-

Women or children first?

It might have been meant as a trifle banter, but for some and shock value it sounded more like a belligerent one. The minister responsible for the status of women, Judy Erola, simply suggested that the tax exemption for dependent spouses be scrapped in favor of more government aid for child-care expenses. But to Liberal women, editorial writers and many others across the country, it seemed that Erola had suddenly made a very serious speech. She made her remarks at CTV's *Question Period*, asked Jan. 2, that flew off a Liberal vacation while the host, built up his back taxes. By last week she felt forced to explain herself during a news conference, at which she had originally been asked about the status of the exemption and tried to reiterate the purpose of its abolition. Said the minister: "I don't think that is going to happen to me or even next year."

Although Erola claimed to be "disfighted" by the recent public discourse that her suggestion provoked, much of the reaction was distinctly hostile. "It's a classic case of doing the wrong thing for the right reason," attested the Toronto Star. It was right to help working women, the Star said, but not with "an ill-considered scheme that is under steadily offending just about everybody." The *Toronto Globe and Mail* editorial judgment under the heading *more, more, more*: Liberal MPs were assailed by angry callers in the midat-

term Christmas vacation and passed on the messages to Erola's hurried officials. "I saw my parliamentary career go out the window in 1979," was worried Macdonald's, "and over Christmas I could see it happening again. We can't go all over the place making this kind of statement." After all, the Liberals had still gone off the track they suffered with their loophole-closing budget of November 1981, and few have the stomach for another tax fight now.

What makes the level of public concern

Erola argues that the exemption works against families who need two incomes to make ends meet

over the issue surprising is that it is not an especially free-float idea. The Royal Commission on the Status of Women, headed by Senator Florence Bird, advanced the case for abolishing the special exemption back in 1959, and the nation has since been reprimanded by the Senate. Bird was on hand to support Erola when the minister told reporters somewhat deliberately, "I'm not bringing forward an idea that has not been around for some time."

As a less painful option, the ability of the special exemption stands no chance in the foreseeable future, although Erola would like to see a parallel tax task force set up to explore the issue. But the spur that her suggestion provided has revealed how touchy Canadians are about the changing roles of wives as partners or as childbearing dependents.

—JON HAY with NICKI BAKER in Ottawa

The bureaucracy of jobs

The numbers abound. As the nation sags under an official unemployment rate of 15.5 per cent, the federal government has fought back with creative programs of job creation measures. One day-care pilot project generated as many as 400,000 new jobs within the decade. Still, despite the rosy calculations, only 3,000 short-term jobs have opened up across the country in the past three months. So far, job creation programs have been mired in red tape, delays have been blamed on Christian slowdowns, and intergovernmental squabbles have erupted, preoccupying one Ontario official to say, "For all I know, Ottawa is offering underwater basket-weaving." Assessments of particular programs have leaked out with painful slowness. In British Columbia, they include a sales enhancement program, and in Ontario a scheme to upgrade Hamilton tourism facilities. If people lived for 28 weeks to clear industrial lands in Peterborough, and there on the job for 25 weeks comprising a statistical profile of the town of Paris. In many respects the program has been a statistical shod of sheep.

The nation's games began in October when Finance Minister Marc Lalonde's auto-dealers proposed \$1.1 billion in job creation plans to the provinces. Included in the package were a \$500-million New Employment Expansion and Development (NEED) program to create 60,000 jobs within the next 18 months and a \$400-million rail improvement plan with the staggering tax of an eventual 400,000 jobs. Since then it largely has been up to Employment Minister Lloyd Axworthy to fill in the statistical blanks. His latest press

is federal auditors last week's assessment that 255 people in Ontario—out of an unemployment pool of more than 1.2 million—will be back to work over the next few weeks, at least temporarily.

Predictably, the paucity of newly created jobs under the \$800-million federal-provincial winter program in Ontario has been harshly criticized, as has Ontario Labor Minister Russell Banman's expectation of 30,000 new jobs within 18 months. With a quarter of Canada's 1,054,000 unemployed in Ontario, Axworthy can manage to add little more than try to plug the ditsy Canadian Manufacturers' Association economist Paul Keaveny, who watched 132,000 jobs in his sector wiped out in Ontario last year, calls the NEED program a "big game." But he doesn't fault Axworthy for trying.

More critical, however, is Ross MacDonald, president of the United Steelworkers local 1000 in Sudbury. In his region, he says, unemployment rate buyers around 30 per cent. Some 6,000 members of Local 1000 are hanging by their fingertips until whatever security they have left. Still, only \$1.2 million in NEED funds is earmarked for the district, and no specific programs are under way. The plan is available only to "enhancers," the term used to describe an average 65,000 Canadians who will exhaust unemployment insurance benefits every month in



Axworthy: Began in October, now calculations

the first quarter of 1988. Most of the laid-off steelworkers and miners who workers do not qualify. Macdonald labels the program "unbelievably limited."

There is a similar reluctance in Alberta to let go. Axworthy's insistence that job creation programs should be limited to enhancing Alberta's Manpower Minister Ernie Inkley refused last week to sign a joint NEED agreement with Ottawa. Instead, he preferred to initiate a tentative \$100-million program to create 9,700 jobs and leave the details to be hammered out later. So far, Saskatchewan and Quebec, as well as Ontario, have joined the NEED program. Other provinces are still bargaining with federal officials. For the part, Axworthy praises his project, saying, "For a lot of people it's an important program, but in what they see happening is their own community." He told journalists over luncheon sandwiches last week that "newspaper headlines don't wait at least as much as 15 days getting work as a new wharf in a Newfoundland port. The word I get from sources is to keep developing those small projects."

New Democratic Party finance critic Nelson Ritt, who calls NEED "at best cosmetic," finds little evidence of its value in his B.C. riding of Kamloops-

Shuswap. He spent last week touring the depressed forestry, mining and tourism industries. He visited schools where students complained that it was "hopeless" to search for work because there were no jobs. The unemployment rate reached 27 per cent. There are only four federal NEED projects in British Columbia, none in Kamloops-Shuswap.

Some observers of Ottawa's methods are bewildered by still other aspects of the program. McGill University economist professor John Weiden, for example, Lalonde's decision simply to re-allocate \$1.1 billion from other spending areas into job creation, regardless of the impact. An estimated \$200 million comes from defense, \$245 million from foreign aid, and \$60 million from energy programs. "You really have to take federal job projections with a grain of salt," Weiden points out. "When you analyze what was lost, it would be rather staggering if the actual number of new jobs created is larger than 1,000." The idea of realigning existing funds, according to Weiden, is an old chestnut, "part of an answer that has been floating around for years and years" for the economy.

A further 400,000 jobs have been promised in the rail improvement plan. But Transport Minister Jean-Luc Pigeon has been evasively reticent about on the issue, and a ministry official admits that Lalonde really meant 400,000 person-years, not 400,000 jobs as he told the House of Commons. (One person-year can mean one person working for a year or four people working for three months.)

Sidney Ingberman, another McGill economist professor, agrees. "The net result of realigning existing funds is small or even zero. It's all playing with numbers." Last week he released the first in-depth study of the job-and-Plus wage restraint program for the Canadian Council for Policy Alternatives, as Ottawa-based economists with strong labor ties. Ingberman found that the percentage of people hitting buffers are now by exacerbating restraint, Ottawa is contributing to lengthening the recession, and he advises for long-run benefits a structural overhaul.

This week Axworthy hosts an occupational conference in Peel, Que., at which he hopes to "move beyond charts and numbers to ideas and judgments about employment and production trends." The plan is to bring medium- and long-term labor market needs into focus. If Axworthy is successful, perhaps the federal government will produce something more substantial than a set of increasingly vulnerable job projections.

—LINDA DUFRE, with Carol Goss in Ottawa, Cindy Borrell in Toronto and Peter Gosselin in Edmonton.

QUEBEC

A hero takes on the generals

In the crowded Montreal courtroom last week, the grand former army officer emerged for a bitter public settling of accounts. At issue were statements made at the height of the Quebec referendum by two pro-federalist generals about one of French Canada's greatest Second World War heroes, retired Brigadier General Édouard Ménard, who supported the Parti Québécois in the process there was a rare display of personality clashes in the military. The star witness for plaintiff Ménard was Premier René Lévesque, who told the court: "They ridiculed their com-

rades. He had appealed for compassion, he said, for a man whom he thought had declared himself disloyal to his country. At one point during last week's court hearings on the alleged slander, Lévesque wagged his finger at Ménard and said, "They've got nothing against you, but the real heroes [at Dieppe] are buried there." When Ménard testified for the first time last Friday, he requested his rule in the Dieppe raid and denied having been forced to retire, as Allard and Lévesque had alleged, saying that he had taken early leave.

During six hours of the disastrous 1942 Dieppe landing, Ménard, then commander of the 2nd Battalion Royal-22e Régiment, reportedly led his men to the attack in spite of his five wounds. He subsequently received the Distinguished Service Order, and his regiment and its exploits adorned recruiting posters. In 1946, Ménard was appointed Canada's Ambassador to France, a post he held from 1946 to 1948. "Ménard personified the war experience," Lévesque said.

Thirty-eight years later, at the height of the referendum debate, Ménard declared that a separate Quebec could mount its own defense in time of war and announced that he would vote "no." Two weeks later, on May 8, the "no" forces pursued their military aims at a news conference. The court was told that after Dieppe made him controversial remarks, some officials began to laugh, and journalists interpreted the reference to war wounds as a slight at Ménard's mental faculties. But Dieppe insisted last week that he thought people were laughing because of Ménard's practice of wearing five bars for wreaths—which Dieppe viewed as an affection for rigmarole received during the same engagement. Dieppe fully denied, in court that Ménard enjoyed the military reputation among his colleagues. Instead, Dieppe argued that Ménard had learned from some solidarity "Dieppe heroes how we protected him."

Ménard, Ménard's lawyer, Guy Bertrand, faced Dieppe to defend a Christian, 1944, incident in which a German prisoner of war was given a few months' furlough, adorned with a "Merry Christmas" sign, and sent as a present to Dieppe's commanding officer. Pressed on whether he considered the action a violation of the Geneva convention on the treatment of war prisoners, Dieppe replied, "It was a bloody good joke"—on a par, perhaps, with the 1983 spectacle of the Battle of the Géorgines. —AVRIE BIEBER in Montreal

Unemployed in Ottawa: numbers abound as the nation sags under the strain



Ménard & Lévesque: Thing to hear?

Dieppe was a tortuous thing to hear." But the former chief of defense staff, Gen. Jean-Jacques Després, 63, who, along with Gen. Jean-Victor Allard, 66, is being sued for \$400,000 for alleged defamation of Ménard's character, rejected the charge. Després insisted that when he told the press in 1980 not to take Ménard's edict to the separatist forces too seriously—commenting that "Dieppe was wounded six times you know"—he was performing "an act of mercy" not of

Creating a new economy

By Ian Brown and Robert Collier

David Macdonald, six feet, five inches worth of Toronto lawyer, towered above the audience gathered around him. The former federal finance minister was appearing at the University of Toronto last week to make his first speech as chairman of the new royal commission on the economy. He opened with a tribute to his late student, Katherine Baker, killed two years ago in an auto crash, in whose memory the lecture was sponsored. Then he delivered the message the audience was waiting for. "Important considerations, he intoned continuously, shifting his weight from one foot to the other, "are taking place in the very favorable circumstances which, for the past 35 years, have enabled Canada to enjoy an unparalleled period of economic growth." The event was a memorial to a former student. It was also a requiem for the economy as Canadians have known it.

In between segments of his greeting, a few words of truth slipped out. He is suddenly under way. Finance Minister Marc Lalonde has appointed his own blue-ribbon committee of economic advisers, but they are caught between wanting to speed the economy back to health and the bald, black fact of an existing \$25-billion deficit. But a new generation of "institutional economists" who do have answers are finally emerging, and their theories and findings—however contradictory—will likely provide Macdonald with the only feasible solutions available as Canada passes through its worst recession since the 1930s. Answers are what Macdonald was appointed to find. "There is a sense of intellectual staleness in the economy in the 1980s," Macdonald said in an interview last week. "And I think it's general to the world, and not just to Canada. One has the impression, talking to the economists, that they've lost in the 1980s, waiting for the next general theory of economics to appear." Until it does, Canadians can look forward to unpredictable turbulence as capitalism under-

goes one of its rare but vital transformations from a free market economy to a more centrally planned one. The boom never resulted in complete elimination of the deficits, while everyone's expectations of government support remained intact. Four decades passed before Nobel Prize winner Milton Friedman espoused "monetarism" as a means to combat inflation. Monetary policies pursued by such leaders as Margaret Thatcher, Ronald Reagan and Bank of Canada Governor Gerold Beatty controlled spending habits by manipulating interest rates—but so well, in fact, that the ensuing high rates forced industry into a massive liquidity crisis. Sweeping across North America and Europe, the cash crisis revealed the industrial sector as the unshakably creative it has become.

Gone. The world's desperate search for new economic answers, meanwhile, has produced a fascinating new breed of policy guru. They are known as the "institutional economists"—named for the newly minted post they hold as senior in the world's major think tanks. As much as for their wisdom, they are becoming known for their astute, unorthodox ideas, briefcase subtleties, a rule package for grabbag headlines, and their remarkably direct access to the most exalted corridors of political power. With a few exceptions, they are also surprisingly young—20th-century intellectual pragmatists who understand that the only good idea is the one in the eye of a powerful politician. Their entities and ideas will fill the intellectual vacuum in Ottawa as the federal government tries to come to terms with the desperate structural problems of the Canadian economy, a declining share of international trade in a world beset with protectionism, contend with the worst strike and productivity records in the industrialized world. Meanwhile, the obvious short-term solution—the development of competitive high-technology industries—will, in turn, cost more jobs. The new solutions of the next breed of post-industrial strategists hinge from closer interaction between government and

Macdonald's request for the economy as it was known

might have seemed knowingly. The world as John Maynard Keynes knew it has passed. In the General Theory of Employment, Interest and Money, the famed British economist allowed governments of the 1930s how to spend their way out of a depression. The resulting deficit, the plan went, would then be dashed as public spending was cut back when the private sector became self-



High tech on the job (above); the shadow of aero industry threatens vulnerability



industry to dangerous economic isolation, from high-technology initiatives to fundamental retrenching on just what economic life is all about.

To at the heart of the modern thinking is one of the most respected of the new breed, and in some the father of them all, Robert Heilbroner, 68, an economics professor at the New School for Social Research in New York. For a generation he has synthesized the sophisticated Western economic. And, as Heilbroner's view, 1982 is comparable to 1932, when the world was starting to claw out of the Great Depression. "People fail to realize that it took 30 years to put in place the related economy and the welfare state which were the institutional response to the Depression of the 1930s," he declares.

Changing course, Heilbroner tells Americans that they should be prepared to brace the restructuring of the economy that will be necessary to maintain the new equilibrium in the wake of high-technology, technological efficiency and sharply new labor wage rates. After all, he says, "The 20 years of trial and error between 1932 and 1952 resulted in 30 years of unadjusted growth between 1960 and 1970."

To the economists who share Heilbroner's way of thought, the free movement of money and goods was the main ingredient to post-1945 prosperity, the glory days of free enterprise. But the economic crisis has underlined many old liberal beliefs, and the ideal of a world trading freely may be the strongest intellectual—and economic—cause today. Ironically, Heilbroner now finds himself espousing a planned economy. Writing in *The New York Times Magazine*—which, with the establishment liberal *New York Review of Books*, is one of the new breed's favorite public forums—Heilbroner recently rejected the Reagan administration's "thoroughgoing capitalism," favoring instead a system involving joint ventures between government and the multinational corporations. "I expect that 20 years from now," Heilbroner wrote, "General Motors and Boeing and IBM will have government officials on their boards and access to government financing; they will no longer clearly know whether they are part of the private or the public understandings of the economy."

Heilbroner's changing view is also reflected in his recent philosophical proposal of a degree of protofascism. Suddenly he finds himself in sympathy with one-heretical ideas of the infamously Cambridge Group of economists in England, who advocate isolating domestic economies from the flood of cheap imports. "The new capacity for international production has produced terrible vulnerability," Heilbroner now



Keltay with Sodberry 2001's goal (project) is confident on the brink of economic disaster

COVER

argues. "When the economy is beginning like the U.S. was after the last war, free trade leads to its advantage. That world is longer there."

In Canada, where there has consistently been greater movement between the business and government sectors, the new thinkers often seem less doctrinaire. Accordingly, they have needed to attract a public audience. But among them Wendy Dobson, executive director of the conservative-minded C.D. Howe Institute, is emerging as one of Canada's most thoughtful and quietly radical new economic philosophers. A graduate of the University of California, Berkeley, Harvard's Kennedy School of Government and Princeton University, Dobson, 41, wears so lastingly visible political or economic label. Instead, she takes an intensely pragmatic course, looking possible—and she emphasizes that they are only possible—solutions in the cracks between the more fanatical ideologies. "We have gone through a period when we believed there were philosophical approaches that would solve the problems of managing an economy," says Dobson. "Keynes got supplanted in the 1970s by monetarism, and they were supplanted recently by supply-side. None of them has been able to solve the problems. None of them has been the answer. And the reason is probably because we have growing structural problems."

Dobson is skeptical about the whole notion of a single industrial policy that would provide the world economy with a new set of answers. After all, the federal government has been touting an agenda of "emerging" industrial policies for at least 20 years. Says Dobson:

"I don't even know what an industrial policy is anymore. The NDP [the 1980 National Energy Program] was a major industrial policy. And setting the experts' income can would be a major policy I guess I would say in the federal government. For God's sake, no one doesn't do anything, and you stand there for a while. Just try and sort out the conflicting signals. Get your friends in right." That is encouraging admission to a royal commission that has been given as long as three years to report, but not as welcome to the nation's 15 million

Lunley seeking exits around the world



unemployed who are hoping for a quick economic turnaround.

Dobson disagrees with Helleboois's notion that some form of wage-and-pricewall—a state-imposed "veiling" of inflation—is inevitable unless some of the social programs and freedoms that growth produced in the boom years of the 1950s and 1960s are sacrificed. "You don't go back," he insists. "You don't say people have to suffer after all."

High time of there is a completely satisfied here to Helleboois's liberal reputation, it is Lester Thorne. At 44, the Massachusetts Institute of Technology professor is gaining a reputation as the most complete change of economic direction since John Kenneth Galbraith. Like Galbraith and Helleboois, Thorne enjoys the company of economists who are not in the media. He is also currently a pessimist. Thorne believes that North America is on the brink of economic disaster, without hope of growth for at least six months. Still, he says, "Recession isn't new. We have had six since the war. The idea that you could have full employment without inflation deserved to be discredited. But we discredited it with a massive recession. There has been no growth in the United States for four years." In his widely read 1980 book, *The Zero-Sum Society*, Thorne suggests that Western society has discovered how to allocate rewards but does not know how to share losses. Accordingly, the failure to distribute economic pain equitably brings on economic paralysis.

Thorne's personal solution to the dilemma of employing everyone without bankrupting the economy is simple: he suggests nothing short of integrating individual national economic policies, currently at cross-purposes and separated by rising protectionism. "No one government can relate by itself," he says. "That's what France recently tried. If the four major economies [the United States, Great Britain, West Germany and Japan] coordinated policies, it would probably provide the stimulus required."

That idea, however, calls for an industrial policy—something that Americans have been notably reluctant to implement in the past. Thorne sees no alternative to more planning, however it is up to governments to facilitate and encourage exports and declining industries—the so-called "excess" industries—and encourage the growth of "surplus" sectors. To Thorne and others, the surges of high technology—one of the reasons he and his colleagues are known as "Asian liberals"

Inevitably, some of these strategies will echo in Canada, given the economy's dependence on U.S. markets and capital. But Thorne, an American, is more of a Canadian nationalist than many of his colleagues north of the border. "Canada doesn't have to copy the economic policies of the United States," he argues. "Look at the situation. The economy is even more dependent on foreign currency than Canada's is on the United States. But they have high inflation law and growth high and they have had less unemployment."

Probably the most controversial, and original, note in the economic policy debate is that of a group of economists centred at Cambridge University in England. Until recently, these economists were dismissed as outreagous, even heretical. But with protectionist rifts in the world, they are finding an increasingly wide audience. While duties and other tariff barriers have been ostensibly disappearing since the original General Agreement on Tariffs and Trade meetings in 1947, new nontariff barriers are erected almost daily. Canada says import restrictions on Japanese cars. France insists that all Japanese video cameras enter the country through one obscure frontier town. And world trade, which actually stopped growing last year, may even decline this year.

Comments: The most extraordinary thing about the protectionist debate is the comment it is attracting, despite loyalty to the Canadian Free Trade. In 1980 free trade was "increasing...the tide which raises all ships," as former president John F. Kennedy dubbed it. It was based on the premise that one or industry the steel was protected from cheaper imports, other industries would have to buy the same expensive domestic product, thereby becoming more inefficient themselves, and in turn going out of their own markets. But the Mexican government, for one, has asked a member of the Cambridge Group to act as its policy adviser.

According to Terry Ward, another member, the group is critical of the monetarist policies of financial restraint that have dominated policy in the West since 1973. It advocates such post-Keynesian favorites as expanded public spending, increased government borrowing, more credit, lower taxes and lower interest rates—and, most significantly, a financing-off of domestic economies from the outside. National economies, it says, have become "too porous." But quotas are not the answer, says Ward. "The better we put a quota on



West Coast trade: the unions demand economic adjustments be made in a chilled way

Japanese cars, the gap will widen by either foreign cars. It didn't help the British industry at all. Unless there is some more orderly distribution of trade shares, new agencies will never be able to emerge."

In Ottawa, one of the new liberal thinkers is the Senate Council of Canada's economic adviser, Arthur Corfield. He believes that policymakers should be planning now to take advantage of an as-yet-unborn offspring of the monetarist, the inflationary economy. Corfield foresees at least one million permanent

laborers invited for immigrations to Canada

recently unemployed Canadians as an inevitability now, he adds, can they be included in the nation's economic life? As the economy becomes more technologically efficient, greater numbers of people will lose their jobs. "But you've not going to keep that factory open if no one has any purchasing power," he says. "There has to be some kind of an incentive that will guarantee demand in society." In Corfield's opinion, government's main planning objective should be to distribute income to people who cannot work to seek a way that "you allow them to keep their dignity."

Meanwhile, another industrial idea currently in vogue in the United States is Robert Reich's, a 36-year-old former public policy act of Harvard's John F. Kennedy School of Government. His book, *More Money, More Jobs*, coauthored with Jim McGuire, has won a wide readership among Washington policymakers and Democratic party politicians looking for new tactics for the 1984 presidential election. An Alain Bérard, like Thorne, Reich also calls for active government planning and restructuring of the economy. The world's most successful economies are planned, he argues, and the American—and Canadian—has no alternatives. In any case, the existing mélange of conflicting policies—tariffs, quotas, export agreements, government loans and bailouts—already constitutes a form of planning. Reich wants to make the act less approachable.

Reich attributes many of the current problems in the North American economy to the period when the United States developed its high-volume, stan-



The 1930s nightmare revisited

By Anthony Sampson

The past few months have begun to bring home to all the Western nations not only the gravity of the world recession but the extent to which each nation depends on others for its recovery. This is longer means just the familiar fact that the U.S. economy affects all others because the prosperity of the United States itself is now dependent on other countries—including many in the Third World.

The economic crisis in Mexico, beginning last August, and the mounting problems in Brazil, Argentina and other Latin American countries has compelled the financial leaders in Washington

and Britain to re-examine the roots of the world recession, leading to revolutions, repudiations of links with the West, and potential political chaos. In this situation, a banking crisis would lead to a general collapse of confidence and authority. This nightmare scenario has an obvious resemblance to the European crisis of the 1930s, when the crash of an Austrian bank in 1931, in conditions of independent industrial depression, precipitated a general loss of confidence during which all nations retreated into their own protectiveism.

The new preoccupation is more serious for developing countries than for the industrialized West, but the interdependence between the two parts of the world is now very much more evident. In the words of the international commission on North-South problems

colloquy: The Western leaders are, surprisingly, proud of the achievement in bringing down inflation, but much of this reduction has been due not to national self-denial but to the decline in world trade, production and employment—and to the steep fall in the prices of commodities from the Third World. And many economists are now urging that these trends are more worrying than inflation itself.

This new preoccupation is more serious for developing countries than for the industrialized West, but the interdependence between the two parts of the world is now very much more evident. In the words of the international commission on North-South problems

Cattle-ranching in Argentina, the prospect in doubt; the global predicament is more serious for developing countries



—including Donald Regan at Treasury, Paul Volcker at the Federal Reserve and George Shultz at the state department—to think beyond their own frontiers and worries.

The immediate crisis was in banking, brought about by the dangerous exposure of U.S. banks to Mexico. But almost equally serious has been the crisis of industrial capitalism, that has looked to Latin America for new sources and markets only to find these markets dwindling in the face of strict cutbacks enforced by the banks and the International Monetary Fund. As a result, U.S. industries as well as bankers have joined the lobby to relax the stringent monetarist policies toward other countries.

And the diplomats have a deeper concern that the harsh terms imposed on many developing countries will, in turn, impose an impossible burden on domes-

tic institutions, such as the World Bank, which was specifically designed to prevent.

Fifty years later that parallel is now being more openly talked about by Western politicians and bankers. "No one who lived through the nightmare of the 1930s," one veteran Jewish banker said in recently, "can fail to be worried by the resemblance." But it is now becoming much clearer that recovery in the South cannot be achieved simply by the bankers' traditional solutions of rescheduling debts, postponing interest payments and lending more money than will only add to the burden of debts which are already becoming insupportable. Only increased economic growth in the West, deliberately stimulated by co-ordinated policies, can effectively stave off economic disaster in many parts of the South. "We have to get the world economy growing," said Raimon de Vries, the influential economist at Morgan Guaranty Trust Co. in New York, who is close to George Shultz. "We

headed by Willy Brandt, the former West German chancellor, which held an emergency meeting in Ottawa in December. "In this crisis, the fate of the rich and poor countries, the industrial and the agricultural communities, is inextricably linked." But it is now becoming much clearer that recovery in the South cannot be achieved simply by the bankers' traditional solutions of rescheduling debts, postponing interest payments and lending more money than will only add to the burden of debts which are already becoming insupportable. Only increased economic growth in the West, deliberately stimulated by co-ordinated policies, can effectively stave off economic disaster in many parts of the South. "We have to get the world economy growing," said Raimon de Vries, the influential economist at Morgan Guaranty Trust Co. in New York, who is close to George Shultz. "We



are all gloomy for 1983 and, unless we act now, we may frantically 1984."

Many economists, conservatives among them, now insist that only a major restructuring of the world's monetary system—an devised nearly 40 years ago by Bretton Woods—can provide the necessary increases in liquidity to revive world trade, production and employment—and to stop the steep fall in the prices of commodities from the Third World. And many economists are now urging that these trends are more worrying than inflation itself.

This new preoccupation is more serious

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originals meant:

Besides, the countries that are close to stagnation, that are too poor to borrow and many of which depend on exporting commodities at knock-down prices, can only be helped by much greater allocation of aid and by more systematic attempts to stabilize the prices of commodities. It is the instability and unpredictability of world trade, as much as its decline, that presents recurring dangers to richer countries as well as poor ones. Only if national leaders work together, to create more liquidity and credit as well as more stability of currencies and commodities, are they likely to avert a more serious deterioration in world trade and to prevent the contagion of instability and fear from spreading round the world.

Anthony Sampson is author of *The Money Lenders* and editorial adviser to the British commission.

COVER

standard production, while Canada's resource-based industries ride on its back. "After the war we were the dominant international economy with an enormous domestic market," he says. "But during the 1960s many of the advantages of the North American economy began to disappear. High volume, standardized products could be done overseas. And most of the international markets became saturated with products which we specialized," he argues. But the memory of easy good times was hard to shake, and, instead of building a more Canadian and U.S. industrialists engaged in "paper entrepreneurialism."—the takeover wars and tax-avoidance campaigns of the late 1980s.

Stringing through all these points of view, and dealing with the political power they represent, will be a trying task for the Macdonald commission, even with its three-year deadline. But

tors adduce what he sees as the real problem of the Canadian economy—the deadly effect that labor-management disputes have on productivity. "There is too much mistrust between business and labor," he says. "That mistrust is not economic in nature and has been growing over the years."

Macdonald's approach will come under close scrutiny from another Macdonald commissioner, United Steelworkers National Director Gerald Doogue. The resource (and perhaps the one-area inactivity of the union committee's past demands) has taken a frightening toll on Doogue's dues-paying membership, thinning it from 205,000 in 1981 to 130,000 today. "We require policies that will protect workers from the savage introduction of new technologies," he says. "We live in a highly competitive world but we demand that adjustments be done in a

Commissioner Fletcher: There is too much mistrust between business and labor



shameless way." One adjustment, major be additions to the EI billion that the federal government is spending on retraining—less than one per cent of GNP, much lower than the 5 to 8 per cent allotted in West Germany and Japan.

So far, Ottawa's response to the structural problems of Canadian industry has been ad hoc and patchy at best. The federal government's most public policy initiative has been the Macdonald commission—an idea dreamed up, according to insiders, by the man of royal commissioners, Trudeau adviser Senator Keith Davey, and one that apparently came as a surprise gift to Lalonde. The commission boasts 10 members, possibly the Macdonald commission's most distinguished mind, in a neo-Keynesian liberal and former policy adviser to the Prime Minister's Office, Jim Webb, and University of Manitoba economics professor Clarence Barker among them. But Canadian business and particularly the man-

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Johnston, Nightingale's Industries' CAD/CAM computer: not enough beds to sleep in the rocks

played looking for a sign of hope from the government already had reason to feel disappointed. Other commissioners are still to be appointed, and the party's terms of reference are not yet set. But Johnston himself may well have his post lined up after the hearings start in the fall, to run for the federal Liberal leadership—all of which leaves Canadian business and its unemployed peers away from an organized political party with which to tackle their problems.

There are other signs, however, that Ottawa has started taking the need for a new industrial policy seriously. Late last year, a private administrator, a frequently lauded by the private sector for his willingness to listen to its views as he prepared his first budget, according to Stéphane Charron, Peter Gordon, "threw us into a distinct change in attitude" since Lalonde replaced Allan MacEachen in the finance portfolio last September. A new round of interventions in troubled industries may also be planned under the direction of Senator Jack Austin and Joel Bell, the two Lalonde protégés who now head Canadian Petro-Canada and are now at the newly formed Canadian Development Investment Corp.

Stakeholders But the brightest light in Ottawa now is Edward Laidlow, minister of industry and regional expansion. As North America's top economic officials are right, to survive the '80s Canada has to import its wares and earn living from sales throughout the world. To that end, Laidlow has already simplified the government's \$3.3 billion worth of economic development programs in the hope that they will no longer intimidate small business. He has also dramatically streamlined the Foreign Investment Review Agency. By the beginning of the year, when Laidlow

had been in office only three months, there were only 225 foreign businesses holding 100 or more jobs up shop in Canada, down from 365 at the end of 1982, when the agency strangled under the previous坐着 of a succession of ministerialists at Hatch Gray. The improvement is welcome by U.S. investors.

Selection At the same time, Donald Johnston—in the twin portfolios of science and technology and economic development—is attempting to co-ordinate Canadian industry's need to improve its overall productivity and the efficiency with which it produces marketable goods. In a belated attempt to make the government more responsive to the regional strengths of Canadian entrepreneurs, Johnston has appointed a federal representative to oversee each province's industrial needs. They will provide "what we call 'economic development perspective,'" Johnston says. "It's an attempt to develop a perspective from the regions up, rather

than from the top down."

Johnston has said that he intends to help Canadian industry manage technological change by enhancing its technological base, mainly with robotics, which improves productivity enormously. But just how he intends to accomplish that is not yet clear. In fact, there are fears in some quarters that the government's sudden enthusiasm for high tech may be too little, too late. John Shepherd, a former vice-chairman of the Science Council of Canada and now chairman of Leigh Instruments Ltd., points out that the new federal commitment to research and development will contribute only one per cent of gross national product to research and development, compared to about 1.6 per cent for the industrialized countries. The Organization for Economic Co-operation and Development says for all of Ottawa's recent pronouncements, "there's a general view that we're not even making enough [background] basis to stay in the race," says Shepherd. Still, recent studies by Statistics Canada suggest that growth in Canadian employment dropped eight per cent between 1973 and 1978, a result of a vast array of technological innovations.

An even more serious problem facing Ottawa's policymakers is whether Canada will be able to find an international market for its shiny new high-tech products, because the same strategy is central to the industrial policies of nearly every other industrialized nation and is generally highly protected.

Still, firms in the Canadian private sector are investigating new ways to reach the crucial international market.

The most successful and startling plan to date is the former Canadian technology pioneer, design and manufacturing—invested world product standards (Wests) and entrepreneurial ventures taking advantage of regional strengths, such as several alternate businesses that have been started in Sudbury, Ont. Their common feature is flexibility and, in many cases, manageable size. It is becoming increasingly common to find medium-sized companies, such as the Toronto furniture manufacturer Nightingale Industries Ltd., using CAD/CAM computers to spit out blueprints, inventory lists and a bill—doing the work of perhaps four employees. In Nightingale's case, the savings allows its president, Stewart Colvin, to cut costs enough to export 90 per cent of his wares to the United States.

Half-baked: underestimating the old liberal legacy



Colvin: underestimating the old liberal legacy

Even more common are companies built on the WPS principle. One of the more interesting initiatives to emerge in the search for Canadian industrial policy, wps are based on the premise that branch plants of multinational manufacturing companies in Canada should manufacture for global markets from within Canada. James Carrasco, a vice-president of Westinghouse Canada who sits on the global product committee of the Ontario government, explains: "In late 1979 we decided that the best strategy for developing Canada wasn't doing much for us. So we began to restructure our portfolio for markets outside Canada." As a result, Westinghouse Canada now has worldwide responsibility for certain products from research and development to manufacturing.

High-tech industries with an eye on international sales are a strategy in themselves. But they are far from a complete solution to Canada's economic ills. The Michaels, Gauthier and Northern Telecoms of Silton Valley North may have helped give the Ottawa area one of the highest per capita household incomes in Canada, but they are relatively few of them and they do not provide many jobs, especially to qualified workers. Alithia Inc., a joint venture in biotechnology involving the Canadian Development Corp., John Labatt Ltd. and the Ontario government's Board of Industrial Leadership and Development (BILD) for one, is a扶植ing project but one that will create only 150 jobs, mostly for highly trained engineers.

Human capital One of the most promising attempts at planned industrialisation on the part of the Canadian private sector is also one of the most modest. Naturally Maher Liú is moving to life in stroke-ridden Sudbury, where the numbers of workers employed by Iron Ltd. and Falconbridge Mines Ltd. dropped from more than 35,000 in 1973 to 17,400 a year ago. A BILD-sponsored mining technology centre in Sudbury has done little to halt the rot, and another 2,000 mining jobs may disappear from the community in 1983. In that climate a group of local residents, named Sudbury 2001, has set up a number of economically viable alternatives to the mining industry—as principles of self-sufficiency that would make the Centbridge Group proud. The businesses include the manufacture of mining tools invented by Sudbury residents, a farm growing Jerusalem artichokes (Sudbury has 20,000 acres of prime farmland) and import 90 per cent of its food and a host of wagon loads, kindly arranged

which seem to thrive on Sudbury's postindustrial landscape. The goals' word is sparsa in a strategy designed in Sudbury and marketed in Toronto. Often accused of being anti-progressive, Ontario Minister of Natural Resources Kenney, one of Sudbury 2001's founders, points out that "most of the human or industrial exchange [for conventional work] will disappear in all this. It is the degree of dependence on [industrial] exports that will disappear."

The clash between the behaviourist post-Keynesian and monetarist managers of the Canadian economy is not likely to end there. The battlefield on which they fought is littered with many, if not most, of the stress and strains of economic life. But crises are often catalytic. They demand a look at larger, more fundamental issues. In a

the race for robots, Canadians become robots, then maybe the victories will be Pyrrhic. Notes Wendy Dobbs: "If it turns out that these structural problems are something that we can't tackle without running our backs on some of our institutions, then we're going to have to learn to live with robotics."

Heavy issues That dilemma begins the ultimate economic question in the current worldwide search for policy: what human ends should all the economic activity be serving? That question is as much political as it is economic and should—not may not be—the central issue of the Macdonald commission tries to answer in its investigation of the "attitudes, policies and institutions" that make up the Canadian "economic union."

Whether Macdonald's commission can come up with a way to get Canada back to the sustained growth of the 1950s and 1960s is an interesting to speculate on as it is, the like that of Macdonald replacing Trudeau as the resident of 24 Sussex Drive. For his part, Macdonald modestly acknowledges his own limitations in recognizing the hoary images that appear in his economic crystal ball. Rising from a chair in his surprisingly tiny back-to-wall office, the commission chairman resumes: "It's God damn pleasant to imagine you're going to solve all the problems. I don't think you should exaggerate the potential effects of public policy." From the man who gave Canada the Anti-Inflation Act and an embryonic National Energy Program when he was in the Liberal cabinet, it is a surprising admission. "For my own part I think I probably exaggerate the extent to which you can change things with public policy," he says. "I don't think you should underestimate the potential effects of public policy." From the man who gave Canada the Anti-Inflation Act and an embryonic National Energy Program when he was in the Liberal cabinet, it is a surprising admission. "For my own part I think I probably exaggerate the extent to which you can change things with public policy," he says. "I don't think you should underestimate the potential effects of public policy."

Perhaps Macdonald has no alternative. As Robert Heilbroner suggests at the end of his programmatic 1982 study, *Reform Roots and Crust*, deep changes are required to restore even modest economic growth. It will require "the uprooting of an institutional shift that is already begun, although for all such shifts much mapped and resisted. The shift is in economic planning, the only 'soft' industrial transformation that can, in my opinion, give a new measure of life to the capitalist system." The soft, perhaps presents an awesome challenge but, because the end debate between Keynesians and monetarists has exhausted itself in the agony of the current depression, the Macdonald commission is now free to pursue new, untried directions.



Colvin: the danger of playing too deadly

society being quickly transformed by privatization, structural unemployment and the first, ubiquitous microchip, work itself may be a luxury. Technology and the industrial mistakes of the past may create a class of people permanently unemployed.

In the headlong pursuit to make Canadian competitive with the industrial economies of Southeast Asia, there is a danger of paying too high a price. If the structural salvation of the economy is bought by auctioning off the workers' wages was during the Just Society, if the technological revolution, so often blamed to the Industrial Revolution is important, as achieved at the same time, massive expense as its predecessor, it is



Incoming health and human services secretary Margaret Heckler with Schlesinger and Reagan: Image of a bumbling administration

WORLD

Reagan fights for control

By Michael Posner

As officials go, the message itself was brief and terse: "We are not going to be a second-rate administration now," it said. "We see the administration as drift, with [Ronald Reagan's] own leadership having been seriously eroded. There is a sharp sense that the White House has somehow lost its compass." What was startling about the comment was the fact that it appeared in the Washington-based tabloid *Newsweek*, one of Reagan's most loyal supporters. In recognition of the president's second anniversary in office this week, *Newsweek* critics can be found almost daily on the opinion pages of major U.S. dailies. But *Newsweek* is not only a national conservative weekly, it has also been among the most ideologically motivated champions of Reagan's program. For its editors to cite the president as a hostage to the forces of political pragmatism—abandoning his long-faith conservative agenda—was a daunting commentary on the Reagan presidency at mid-term.

Critics of the Reagan administration have become so widespread that last week the president felt compelled to defend his record. At an extraordinary

press conference, he charged that the media had created "clash" with incorrect reports about inflation over areas under his control and the economy.

But others last week only emphasized more deeply the White House's image as a bumbling institution. The president replaced a cabinet officer, Richard Schweiker, who emerged as secretary of health and human services to join private enterprise, fired his chief arms-control adviser, Eugene Bostow, dismissed Ambassador Richard Bane, who was negotiating East-West trade with friends in the Kremlin in Vienna, and was quoted as complaining that he "had lit up to his bolster" with new loads. Only a week earlier Reagan accepted Drew Lewis' resignation as transportation secretary, withdrew the nomination of Bostow's proposed deputy, and was told by advisers that the swollen federal deficit may balloon to \$300 billion by the late 1980s unless draconian measures are enacted.

Sons of the administration

tried to square his confusion in a political meeting that supposedly occurs halfway through a president's first term. Critics of the administration and Schweiker fit that category. If policy disputes played any role in their decision, they were not prominent. Still the shoddy fit of the Arms Control and Disarmament Agency and the mounting concern about the 1984 budget, which produced bitter interagency feuds over where to make cuts, left the impression of a White House admin floundering.

In the view of his critics, the president himself must shoulder the heaviest burden of blame. Reagan, as a delegator. He rarely gets involved in detailed discussions of foreign or domestic policy. Sometimes he apparently does not even attend critical meetings—a recent session on the budget deficit was over—preferring to let his aides settle arguments amongst themselves, then present recommendations to him for a decision. But as Washington Post editor

John authority undercut



John David Bostow observed last week, that style threatens to rare delegates of authority into outright abdication.

Nowhere is that underscored more evident than in the intense struggle for control of disarmament policy. Bostow, who has a notoriously suspicious view of the Soviets, apparently ran afoul of the White House for not being hard-line enough. Last week, commenting on the administration's refusal to back his deputy's confirmation in the Senate, Bostow depicted himself as steering a course between those "who want an agreement with the Russians at any price and people opposed having any agreement at all." But Bostow found his authority constantly undermined.

When Edward Bowes, the chief negotiator on strategic arms, talks, he suggests now that the odds of an agreement with Moscow may have gone from 50 to 50 chance of success, both the White House and the state department pointedly conceded that such optimism is unfounded. And, when Paul Nitze, chief U.S. negotiator for theater nuclear weapons talks, informally hinted last summer that Washington might consider something less than the complete elimination of intermediate weapons by both sides, he, too, was upbraided. When he was saying fare-well to his staff last week, Bostow outlined his complaints in strict relief: "The political and bureaucratic difficulties never quite went away," he declared Bostow's successor, Kenneth Adelman—now deputy U.S. envoy to the United Nations—in a loyal Reaganite and sympathetic to the hard-line analysts' ideologies when Bostow was named. Staff, Secretary of State George Shultz says he will share a larger role in setting disarmament policies himself, and Shultz is a classic pragmatist. In short, internal tensions are not likely to diminish. With administration officials claiming, the most recent meeting will be largely a patch-up session as Washington and Moscow both try to persuade European public opinion that such is the wise course ahead of peace.

The arms control challenge, and domestic pressure to repair the economy will probably accomplish Reagan's intention in the months ahead, especially if, as expected, he intends to seek a second term in office. A president in his second year can afford a recession, a third-year president cannot. Every step he takes must be calculated with an eye to its impact on the 1984 campaign. To the inevitable disappointment of conservatives, Ronald Reagan will likely try to restore political order to his divided house by implementing strict policies aimed at keeping the teurous conflicts that gave him the Oval Office reasonably intact. □



The rebellious Ochoa in Cuban provinces. "This thing is not over yet"

EL SALVADOR

A mutiny, but not a coup

A few hours after he had ended his rebellious five-day occupation of a provincial capital last week, Col. Sigifredo Ochoa Pinto was released and in a jovial mood. He was definitely lucky for a soldier who had killed his commander, Salvadoran Defense Minister José Guillermo García, as "a little Hitler." As the penalty for his way, Ochoa was assigned to the pentagon-like Inter-American Defense Council in Washington. And one became dispossessed of a posting that most military men yearn for. "The defense minister does not do what he wants because of fear of upsetting the army," he said.

For Ochoa, the man began when García ordered him to surrender. He commanded in Cuban exile. The sturdy officer is widely suspected because of his success in fighting off attacks by left-wing guerrillas. As a result, when he was instructed to take up a desk job in Uruguay, Ochoa was able to reward the support of both his troops and local citizens and openly defy García. He demanded that the defense minister resign and backed down only after the intervention of President Alvaro Magaña.

Still, last week's mutiny exposed a simmering power struggle in the Salvadoran government between García's moderate followers and their ultra-rightist rivals. While armed forces leaders publicly condemned the coldest, many others privately support his cause. That Garcia's body missed the three-year-old war with left-wing insurgents. And one army officer in San Salvador, "Ochoa is not the problem, Ochoa is the spark. The thing is not over yet."

Despite García's assurances that he was not attempting a coup, some Salvadorean interpret his actions as a direct political threat. "The possibility of a coup d'état from the right has always been here," says Julio Atilio Rej President, chairman of the Christian Democratic Party and an army participant with the right-wing National Republican Alliance, led by Roberto d'Abuquerque. Like others in the military, d'Abuquerque has long been skeptical of the defense minister's authority to defend the civil war. In the last three months of 1982 alone, the armed forces suffered 1,200 casualties.

The mutiny was underscored for Washington, which supports the Magaña government. García has long been the Reagan administration's main hedge against right-wing extremism. But now he has damaged reputation and risked his career. It will make the White House's job of undercutting the Magaña government all the more difficult since the U.S. Congress examines the Salvadorean human rights record later this month before considering a \$6.3-million military aid package.

—ERIC HANOVITCH in San Salvador



Middle East: Washington needs Mideast progress and has the next to lose.

THE MIDDLE EAST

Trying to seize an initiative

It's the end of a victory for ambiguity. After an intensive session last week, Israeli and Lebanese negotiators last week broke the deadlocked peace talks. Israelis had been seeking discussions not only of troop withdrawals but of normal diplomatic relations, open borders, trade and an end to hostile propaganda. Beirut, and other prime ministers from Moscow at home and abroad, had balked at the term "normalization." The issue was finally flushed with a proposal by U.S. mediator Martin Dragon. Under "mutual relations," Israelis and Lebanese will be free to see any number of diplomats, although conditions for Israeli withdrawal will probably dominate.

Still, even though a compromise was hammered out in the agenda, more difficult obstacles remain. For one thing, the Israelis will not pull their forces out of Lebanon until Syria and its allies also depart. And there is mounting concern in Washington that the Reagan administration, despite its desire to implement progress on the Reagan administration's foreign policy initiatives, will not soon withdraw. Indeed, Steven E. Breyer, Senator Arnold K. Relis, last week vowed to thwart any Lebanese-Israeli pact that threatens Syrian interests.

For the Lebanese, a stalemate on the troop withdrawal issue is a welcome change. While the contingent remains, they buy time for the pro-Deleuze forces to build up strength. For Syria, the Beirut patrols and the PLO, keeping the troops in place is a tactic aimed at maintaining diplomatic leverage in future negotiations.

—MICHAEL PETERS in Washington

JAPAN

Nakasone makes up for lost time

For both Japan and South Korea it was a warm and long-overdue reacquaintance. In making the first-ever official visit to South Korea by a Japanese leader last week, Prime Minister Yasuhiro Nakasone had the occasion to "see and vital stage in our relationship." And, to anchor the handshake, Nakasone brought with him a \$4.8-billion economic aid package to bolster South Korea's debt-ridden economy. The loan was a result of years of often arduous negotiations between Seoul and Tokyo. Korean officials have traditionally declared that such a package was a prerequisite to warmer ties with their former colonial masters. And, despite flagging popular resentment over the long-term occupation of Korea from 1910 to 1945, President Carter, like his predecessor, called the massive aid package "a very important cornerstone" for improved relations.

Nakasone's visit also set another precedent: this was his first trip abroad since taking office in November, serving as a preamble to the even tougher task

Japan unveiled a new trade plan that promises to throw open its markets to more foreign-made goods

he is taking to Washington this week, just after bidding farewell to Prime Minister Pierre Trudeau, who lies in the final days of talks on trade (page 10). Nakasone emerged to街头 over strains with South Korea, mainly recently by Japanese business officials, to argue in soft-sell television accounts of Japanese industrialism. The differences with the Americans may be far harder to reconcile. Nakasone is under mounting pressure to trim Japan's spectacular \$85-billion trade surplus with the United States and to widen its defense commitments. But resistance to change from his own countrymen will leave Nakasone with little room to maneuver in Washington.

Japan's defense posture is a major irritant between the two nations. Recently, the Japanese agreed to boost defense expenditures this year by 15 percent. In addition, Nakasone last week approved export of military technology to the United States in a special exception to Japan's policy of forbidding



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Thatcher's dreams of glory

Margaret Thatcher's parliamentary party secretary, Ian Gow, has compared her to Queen Elizabeth I. And during the Falklands War it was known that she was casting herself in the role of Gloriana inspiring the repulse of the Spanish Armada. Last week, as the odds shortened on a general election for 1983 (the current money is on a June or October election), the prime minister made a surprise and dramatic visit to the windy South Atlantic islands to demonstrate that, at least, the famous "Valhalla Factor" retains its potency. The five-day tour—Thatcher called it "a personal pilgrimage"—turned into a triumphant double tour of success.

From more questions in the House of Commons, the issue of trade. Following earlier tariff reductions on manufactured imports, the Japanese government decided a few months back that progress to throw open the Japanese market to more U.S. and European agricultural products. But that move was not popular with 7,000 Japanese farmers who only a day earlier had staged a demonstration in Tokyo against relaxing restrictions. Chanting anti-U.S. slogans, they demanded protection from cheap foreign produce, which they said, would destroy domestic agriculture's viability. For their part, European and U.S. trade officials say that the new Japanese import policy falls far short of what they had demanded—the removal of import quotas on 22 critical items, including beef and oranges.

Prior to Nakasone's surprise announcement to Japan's major trading partners last week, relations were on a dangerous course toward protectionism. In France, government officials have ordered all incoming home video recordings censored through a small panel of experts. In West Germany, Federal officials, which effectively ban all imports of video recorders, mirrored a similar move taken last year by Canada. German officials who allowed clearance procedures of Japanese-made autos to a standstill. The confrontation is such that Nakasone has been forced to demand a boycott of Western-made goods. That course is potentially so dangerous that Nakasone last week openly pleaded with his people to keep buying Western-made products.

Despite an uneven performance, Nakasone has accomplished much after two months in office than his predecessor, Suzuki, did in 2½ years. But, if he is to be successful in balancing Japan's growing economic and military commitments abroad with the interests of his fellow countrymen, the prime minister will face a far greater challenge in the months ahead.

—PETER MCGRATH, in Tokyo

three cents against the U.S. dollar in as many days. Thatcher was furious at her return and personally rebuked City financiers. "For God's sake, order down," she said. "There would, she firmly stated, be no early election.

For Thatcher's Conservatives, however, the electoral prospects are indeed tempting. Labour is in disarray at a time when, as former Labour party executive Sir Harold Wilson has commented, it should enjoy a 10- to 15-point lead over the Conservatives. In truth, by seven. On the other hand, satisfaction with Thatcher's performance, though 12 points below her pre-election Falklands rating last June, remains almost double that of a year ago.

Parties are helped by the government's Labour's unflinching stand on its militant left wing, which may be a factor in the government's popularity. But many observers also believe that a switch shift to the right is taking place throughout Britain.

At the same time, Thatcher, for all her combative qualities, commands more popular appeal than Labour's Michael Foot, the son of an upper-class family, who appears more at ease in a book-club study than in a raucous meeting hall. The Conservative Party as a whole, says The Financial Times, has become "younger, tougher and altogether less liberal than the party of the past." Not only that, but the party manages to keep its internal squabbles to a minimum, despite Thatcher's well-known dislike of her foreign secretary, Peter Pien. That is because his ministry will likely shoulder most of the blame in an official report, due to be released this month, not for detecting Argentina's intention to invade the Falklands.

When an election is finally called, the Conservatives will have to muster as much of the Falklands Factor as possible. They will also have to address the spectacular growth in the far-right movement, which has recently spread far beyond traditional activist groups. For their part, Labour's left wing is losing credibility as the issue because Foot's deputy, Dennis Healey, is a committed supporter of NATO who believes only in multilateral disarmament—contrary to the party line, which calls for unilateral disarmament. But the Falklands factor will likely concern jobs and economic recovery. And if Thatcher is to win a second term in office, she will have to use aside her legal desire of glory and apply her famous will to the more mundane matters of British life.

—CAINE KENNEDY, in London



Writing the Falklands: daughter, daughter

If the above business adage—that the longer pre-opening problems, the greater the chance of a hit—is true, then *Mervin*, the twice-postponed Broadway “magical musical,” should be a smash. Steaming Canadian neophyte *Deep Throat* and U.S. stage and nightclubs star *China River*, the 85-matinee (and climbing) show was originally set to open on Sunday, May 10. Then the date was moved to May 11. As a consequence, the show will open in New York this weekend, the teenagers to get their first look for the matinee of May 10. “*West* shows grew out of town,” says *Mervin*, “and the production didn’t bring the sets and technical problems did not allow that,” explains Mervin’s rep producer, *Martin Krause*. But what about the last-minute switch in direction? Krause will not comment on the change to Canadian film-maker *Ivan Reitman*—another of Mervin’s producers—in his Broadway directorial debut. What about famed choreographer *Ron Field* being replaced? “Just say that we had a pre-Broadway run on Broadway,” replied Krause, “and that we have had the normal amount of everything.” What Mervin does have is an unusual amount of talent: Tony award winners *Robin Wright* and *Thandie Newton* are

Marlin's *Heretics and Blasphemy*, a sequel?

designing the sets and costumes respectively. Academy Award-winning New Yorker **Elmer Bernstein** (Mentable, The Great Sinner and 138 other films) is the show's composer. Krause says that he feels great about *Marty*—after all, it did break box office records when it premiered at the Mark Hellinger Theatre during Christmas week. But will people pay \$40 per ticket to watch Rivers turn a Mark panther into a woman and Hanning make a horse disappear? It remains to be seen on Jan. 30 or Feb. 6—or.



It was the kind of evening that collects. 

Washington supporters' private dinner at the Fabulous 888 Frisco Supper Club for visiting British Mr. **Stanley** **MacDonald**, a Washington lawyer whose clientele includes **Margaret Trudeau**, had

A newspaper story in the West German newspaper *Die Zeitung* has created quite a furor in the Yukon. The Hamburg-based daily, which boasts a

assembled an impressive crew, including White House *Press Secretary* John E. Shad, *ABC Newsman* Roger Mudd and *Senate Director*, with of *Canadian Ambassador* Alan Gottheil. Everything was going splendidly until *Headline News*, who made headlines three years ago when he jokingly levitated a 30-carabin replies at *News Secretary* *White House*, *Spurred*, *Save a* *decidedly unscripted* *salute* at *Mr. Gottheil*. "I said

Frances Tedesco was a house's man," he responded. "I guess it's rude language, but I stuck to it." Pleading an acquaintance of Mrs. Gotthob, immediately departed. "I think Eddie was trying to be honest as only the British can be," explained Martindale laconically. The Gettobes decided to comment. Back home in England last week, Griffiths said he didn't realize that "the lady wanted as my night" was Mrs. Gettobes. Furthermore, "the constituency I represented in England includes Newcastle, which is probably the poorest racing constituency in the world," and Griffiths "have a very large number of horses and horse owners here and I certainly wouldn't want to offend them."

tary usually, the minister or his chief dispatcher's a telephone call, a week calling the provincial and our office, and claimed that the unclaimed case was in the Yukon. Mack won't return. Montreal-based Mack said, "We're stronger before we're gone." Designers should check up. Last says he "p" or whatever I "one confirmed

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The trust quagmire deepens

By James Flaming

Events appeared to be settling in last week on the Seaway Trust Co. in Etobicoke and other key players in the controversial November sale of some 11,000 Toronto apartment units to unnamed Saudi investors. Their rapidly faltering financial empire was shaken further that month when the Ontario government joined the suit of two Rosenberg-controlled firms, Crown Trust Co. and Greyman Trust Co., as well as another firm involved in the deal, Seaway Trust Co., by Amherstville. In a related move, the federal government took over the federally chartered firms, Seaway Mortgage Corp., owned by Markle, and Greyman Mortgage Corp., controlled by another elusive name, the domine, William Player.

But amidst a plethora of developments last week, which included the appearance of several senior execs for Crown Trust, there were signs that the situation might soon take another turn for the worse for Rosenberg and his associates.

As rumors swirled the business community about the government's investigation into the lending practices and management of the seized mortgages and nervous customers lined up to inquire about the safety of their funds, government officials kept a tight lid on the progress of their probe. However, the outcome was expected soon, possibly this week, when Robert Sage, Ontario's minister of consumer and commercial

relations, reports to the legislature. Whether any allegedly illegal activities by the companies would be unearthed remained unclear. But there were strong indications last week that a Crown prosecutor had been called in to draft possible charges against certain principals in the fiasco.

If charges are laid, the defendants may be expected to fight back vigorously. Last week, lawyers for the seized firms, Greyman and Amherstville, moved to intervene in the investigation, with two refusals of intent to launch legal action. Grey action, which was served by Markle's lawyers, listed 10 complaints. Among them: trespassing, intimidation, obstruction, abuse of legal procedures and defamation. The other, served on behalf of Greyman Credit Corp., Crown Trust and Greyman Trust, served the government's actions "unlawful," complained that the seizure had taken place "without benefit of prior hearing or prior notice," and said that it "has destroyed or will destroy" the viability of Crown Trust and Greyman Trust.

The坐ees were a dramatic new twist in the加盖ing, which has grown over the companies' operations since

last November when Rosenberg, through his private holding company, Greyman Credit, bought the apartments for \$270 million from Cottle Fairview. Before that deal closed, Rosenberg sold the purchase rights for \$312.5 million to William Player, owner of Kildonan Investments Ltd. As part of the deal, Player also bought Rosenberg's Greyman Mortgage firm, the first government seized on Jan. 7 (see chart). Player, in turn, sold the purchase rights for \$400 million to a series of numbered companies with unknown owners, reportedly Saudi investors. Several politicians and industry observers estimated the rapidly escalating price tag: the first, second and third mortgages, totaling \$770 million, that were used to finance the deal.

The major question was whether the mortgages sold more than the legal limit of 75 per cent of the true value of the property. But last week more doubt was raised about the mortgages. Cottle Fairview, which took back \$120 million in second mortgages when it sold the property to Rosenberg, revealed on Jan. 12 that an estimated \$1-million payment that had



Rosenberg legal action

last November when Rosenberg bought through his private holding company, Greyman Credit, bought the apartments for \$270 million from Cottle Fairview. Before that deal closed, Rosenberg sold the purchase rights for \$312.5 million to William Player, owner of Kildonan Investments Ltd. As part of the deal, Player also bought Rosenberg's Greyman Mortgage firm, the first government seized on Jan. 7 (see chart). Player, in turn, sold the purchase rights for \$400 million to a series of numbered companies with unknown owners, reportedly Saudi investors. Several politicians and industry observers estimated the rapidly escalating price tag: the first, second and third mortgages, totaling \$770 million, that were used to finance the deal.

As far as the seized firms, if investigations

Monday was aversive, Player was the man responsible for seeking that permission, since he signed a 10-year lease-back agreement with the final owners under which he would manage the properties and take care of mortgage payments. But General Staff, president of Cottle Fairview's residential division, said he had been unable, so far, to contact Player about the matter. One complicating factor for Player was that he and Rosenberg had been told by their bankers—the Bank of Montreal in Player's case, the Canadian Imperial Bank of Commerce in Rosenberg's— to take their business elsewhere.

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As far as the seized firms, if investigations

A breakthrough in the offing

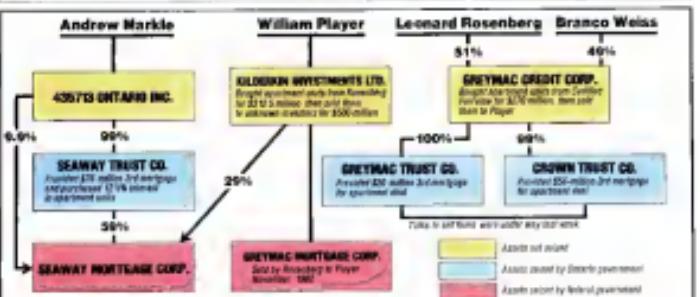
The premier of Newfoundland could barely keep grinning last week. "The federal government has moved [its position]," Brian Peckford declared. "Otherwise there wouldn't be any chance of an agreement at all." And sources say that federal Energy Minister Jean Chrétien did indeed change Ottawa's pitch during meetings with his provincial counterpart, William Marshall, over control of the oil resources of Newfoundland and its coast. In a series of five meetings that began just before Christmas, Chrétien and Marshall have been working to iron out the details of a complete breakdown in negotiations under Chrétien's predecessor, Marc Lalonde. There is still no guarantee of agreement. But there is a sound set of terms proposed, even if the details will still take some to arrange.

Chrétien displayed his flexibility in several key areas. He apparently dropped Ottawa's earlier demand that the federal government should control a joint management board of offshore resources, moving instead toward a joint board of equal representation. He is also believed to have compromised on the key revenue-sharing arrangement, agreeing to give Newfoundland more offshore money—and over a longer period—than was offered earlier.

But the key issue is who owns the offshore oil. Newfoundland has consistently maintained that an agreement would be useless unless the ownership issue is either settled or put aside permanently, because whoever was later awarded ownership would then be free to tear up the agreement. Chrétien and Marshall have agreed to put their oil rights under the jurisdiction of the courts of Newfoundland and Canada, rule on the question later this year. Their decision—whether Newfoundland has inalienable rights—would be to extend the off-shore agreement in the Constitution so that no government could subsequently strip the deal. The constitutional issue is one key area that is still in dispute. Peckford and his last bid, but Chrétien is believed to have shown some flexibility on that area as well.

Officials from both sides ended the week in Montreal, where they began the long-awaited task of drafting an agreement. "Of course, when you draw up an agreement there is always some problem that can emerge," enthused Chrétien. But the premier was optimistic nonetheless. "We're further along than we have ever been before," said a jubilant Peckford.

—MICHAEL CLUGSTON in Halifax



Nervous customers outside Greyman branch,呼吁 greater insurance protection

It is clear that there were a large number of financially stressed dealers, an option would be to liquidate the companies by selling off their assets. There were three reasons for this, however: that Greyman, one of Canada's largest private companies, would not find the customers and within days of the company's seizure by the government, several potential purchasers appeared on the scene offering to buy it. The major contenders: Victoria and Grey Trust Co. Ltd. and Extentivite Ltd. Rosenberg himself seemed eager to sell Greyman—his agents approached Victoria and Grey with the proposal. Rosenberg wanted to sell Greyman Trust as part of any deal. But executives at both other companies told Macdonald that they had no interest in Greyman.

As negotiations continued over a possible sale and tension mounted over the outcome of the inquiry, the ramifications of the controversy were being assessed by members of the financial community. One major issue is that customers of the seized firms are only insured to a limit of \$50,000 by the Canada Deposit Insurance Corp. (cdic), a fed-

erally chartered bank. In particular, there are growing calls for more protection, any one owner from controlling more than 10 per cent of a trust company. Raymond B. Macdonald, president of the Canadian Bankers' Association, "The [bank] government should be willing to impose rules as banks." Major trust company officials, however, disagree. For one thing, says H. Hall Jackson, chairman of Victoria and Grey's board, "Substantial shareholders are needed to provide trust companies with ongoing capital." Hall Jackson does believe that the \$5-million minimum capital required to start a trust company should be raised.

Whether Ottawa will be prompted to speed up passage of new trust legislation, which has been in the works since 1980 remains unclear. If so, does it prevent legislatures would have to pass parallel laws promptly, since trust companies can incorporate either provincially or federally. Such action may be necessary to remove what one trust official calls "the far over our institutions."

With Carol Johnson in Toronto

A lumber showdown looms

Tom Waterland, British Columbia's forestry minister, is in the fight of his political career, constantly trying to Washington and Ottawa as he tries to head off an assault on Canadian lumber exports to the United States. He sees himself as a champion of a major threat over tariffs, to know that a U.S. campaign for a new 65-per-cent duty on Canadian wood is imminent, it would have devastating political and economic effects on桂省, crippling British Columbia's forest-based economy. The threat to \$8 billion worth of wood exports (most of that in lumber) comes from a coalition of 360 U.S. forestry firms which claims that Canadian lumber exports are unfairly subsidized through the loans that governments cheapen companies in Canada to export桂省 wood. The coalition, which has powerful friends in the U.S. Congress, represents about 30 per cent of U.S. forestry firms and it is asking the tariff rather than it calls "unfair competition." "Such an event could literally destroy the underpinning of the B.C. economy and, with it, the single most important industry in that entire nation," warned Waterland last week.

The seeds of the conflict were sown in the late 1970s when Canadian lumber exports, aided by a weak dollar and a housing industry hungry for wood, expanded to the point that they reached 30 per cent of the U.S. market in 1981. But, by that time, with the United States gripped by high taxes, house building had plunged from the annual two million starts in a good year to half that number. As house building slowed and the demand for lumber shrunk, U.S. forestry companies found it increasingly irritating that the Canadian share of their domestic market continued to grow. "I don't think Canada is really the culprit. I think we are the scapegoat," said Waterland, explaining that some of the friction between the countries is caused by the U.S. system of selling off federal and state timber to the highest bidder. Lumber prices have fallen since the bids were accepted, but the U.S. buyers are still stuck with high lumber prices—unless Canadian firms, which pay less based in part on the rise and fall of timber prices. The U.S. commerce department is currently investigating the situation, partly through a lot of 200 questions now being filled out by federal and provincial governments; a questionnaire Canada has to answer and terms of the General Agreement on Tariffs and Trade.

Under a bureaucratic process that is relatively immune to lobbying from SC interest groups, the commerce de-

partment decided by March 7 that Canadian governments do indeed subsidize the country's lumber industry. That ruling, in turn, has to be followed by a ruling by a division on the change that Canadian competition will bring to the U.S. lumber market. Canadian lumber firms are growing increasingly nervous about the threat to their exports as they wait out the timetable. But they are not without hope—or allies in the United States. "The conserving thing is that the U.S. National Association of Home Builders is on the Canadian side," said John Ross, senior vice-president at MacMillan Bloedel Ltd., one of the companies heavily depending on exporting to the United States. "They want Canadian lumber to keep going on because housing prices would shoot up if it didn't. The United States

operated—so far—as if to prevent just such a development. But some provincial officials are worried that the federal government may decide voluntarily to limit lumber exports to the United States, a



C Logging operation in桂省 that threatens to cripple the economy

an only 70-per-cent self-sufficient in lumber, and [without Canadian products] they would have to log another 30 per cent in very difficult areas. Prices would skyrocket."

Even as the commerce department bureaucracy grinds toward a decision, the waiting Canadians are hoping that signs of revival in the U.S. housing industry—as many as 1.5 million housing starts are expected this year—will put enough upward pressure for everyone. If it does not, and the Americans implement a duty on Canadian lumber for a fifth day, the shift of that decision would require all imported lumber to be marked with country of origin. They are hoping history will somehow repeat itself.

grace that would resolve the need for the tariff, but at the same time effectively transfer control over forestry production from the provinces to Ottawa. Waterland and the estimated 2000 Canadian forest products firms, which have retained the prestigious Washington law firm of Arnold and Porter to represent their interests, believe he is destined to remember 1962 and the great battle over Canadian lumber exports. The Canadians lost that battle when then-President Lyndon B. Johnson vetoed a bill that would have required all imported lumber to be marked with country of origin. They are hoping history will somehow repeat itself.

—MALCOLM GALT in Vancouver

as桂省-owned firms. "It could set a precedent for future oil research-based commodities," said a B.C. government economist. "Billions of dollars worth of pulp and paper products, most of them from Ontario and Quebec, could be affected."

Waterland predicts even more dire consequences from a 65-per-cent tariff. "Despite the current banality of the nature of the world's leading exporter of forest products could well set off a series of protectionist moves throughout the trading nations of the world to such an extent that the patterns of trade will be seriously distorted and perhaps irreparably damaged," he said.

Ottawa and the provinces have cooperated—so far—as if to prevent just such a development. But some provincial officials are worried that the federal government may decide voluntarily to limit lumber exports to the United States, a

Checking in at Lloyd's

Throughout its 300-year history, Lloyd's of London, the world's premier insurance market, has been prone to the fear that it can be self-destructive. But last week, on the wake of a wave of unprecedented scandals, a less, if perhaps,��, pessimistic, known around the City of London as "an innocent radical with a lot of clout," moved to clean out Lloyd's. Augustus stable, Ian May Dawson, 52, was named as the institution's first chief executive, with a mandate to investigate the market's operations as a result of a controversy swirling around the activation of some of Lloyd's chief underwriters. And, in a probably election year, Margaret Thatcher's determinedly free-enterprise government did not want to be forced to set up a royal commission into the widening loopholes in Lloyd's system of self-regulation. Indeed, Lloyd's ranks in the City of London's biggest contributor to the rich bank of "invincible" savings created abroad by Britain's financial, banking and insurance services, and its prominence has always depended on a worldwide reputation for probity.

Dawson, who previously was the accounting firm of Arthur Andersen and chairman of the Association Standards Committee, was nominated Dec. 25 by the retiring governor of the Bank of England, Gordon Richardson (replaced in the new year as Lord Riddoch). "We want you for the job," said Richardson bluntly. Dawson finally accepted Jan. 26 at a salary of \$330,000.

One of his major tasks will be to toughen the requirements for disclosure of underwriters' interests, the factor at the heart of the major scandal that swept Lloyd's last autumn. That affair concerned allegations that some \$30 million in insurance funds had been misappropriated from the Alexander Howden Group, a leading British insurance firm active in Lloyd's market. Four Howden executives and high-flying Lloyd's underwriters, Ian Fougner, 50, known as "Goldfinger" for his Mafioso ways in the market—were accused of channelling premiums into insurance companies in Britain that they allegedly controlled. As a result, Fougner was abruptly suspended from further dealings in Lloyd's.

"Insurance is intertwined in the market by our registered Lloyd's brokers who are almost like underwriters for the best deal," says Fougner, who has the financial risk management of any underwriter of a total assets worth \$10 billion and operates in 100 countries such as elsewhere in the United Kingdom and abroad. "So, as far as I'm concerned, the market is the same," he said. "I'm not sure if I can do my job."

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his underwriting activities. While not automatically entitled to resume underwriting—Lloyd's council meets this week to discuss its next move after studying the legal transcripts—Fougner gets himself "very, very quickly" with the job.

He will be forced to worsen the ratio of reinsurance going on, cuts the Howden's flair by Dawson, the trade department and the City of London police fraud squad. A Lloyd's spokesman said that its own investigation would be a "very thorough job" and declined to speculate how long it would take. He said that Dawson, as a foreign leave of absence from his accounting firm, would be "running the affairs of Lloyd's in a very thorough and dynamic way."

All expectations are that Dawson, a hard-nosed graduate of the London School of Economics and the University of Michigan, will leave an almost unopened in the search for further potential. "The first task must be disclosure," Dawson said in his appointment. "Only then can we decide which categories of names should be banned." He has already drawn up a plan for reform, largely agreed last week by the council, which centres on two principal measures. Those are the public register of underwriters' interests and the mandatory approval by Lloyd's of reinsurance arrangements made by the market syndicates—in the affair under investigation, those involve other operations in such places as the Cayman Islands and Luxembourg, where the passage of Lloyd's is not easily traced.

As well, Lloyd's 430 underwriters would also be required to disclose any shareholding in other insurance companies, including those offshore, and any financial interests in insurance and reinsurance entities.

At stake is a priceless reputation built up over the years since Lloyd's emerged from a sophomore gathering of brokers in 17th-century London to take a dominant position in the international insurance market. In 1979, the last year for which figures are available, Lloyd's received \$5.5 billion in premiums—some—half of it from North America—and after payment of claims turned a profit of \$350 million. With such success in the balance, Dawson has no problem convincing

the international insurance market to come back to the market again. His first day high-court hearing ended in a ruling by Judge P. J. O'Conor that Lloyd's, while no doubt acting in good faith, also has the power to suspend Fougner from

Dawson a radical with clout moves in

Fougner was suspended by Lloyd's chairman, Sir Peter Green, after he was confidentially informed by Alexander Howden's U.S. parent, Alexander & Alexander Service Inc. of New York, that it was planning legal action against Fougner. Former Howden chairman Kenneth Grok and three Howden directors, all five defended the action, but a confident Fougner went further and launched a counteraction against Lloyd's, declaring it "an typically haughty fashion that, if necessary, he would be supported by his wife, also a member of Lloyd's, and other members able to keep me in the style to which I am accustomed."

Last week Goldfinger appeared to have struck his first blow again. His day-long high-court hearing ended in a ruling by Judge P. J. O'Conor that Lloyd's, while no doubt acting in good faith, also has the power to suspend Fougner from

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—C. GALT in London



Big Oil extends its reach

During the past 15 months the federal government's case against alleged price-fixing by the oil industry has often seemed thin at best. The major companies have argued that they were through a pattern of events—such as secret meetings—arranged enough to support Ottawa's allegation that oil producers from fifteen countries of some 400 million barrels between 1966 and 1972. All too frequently, government lawyer Gordon Kaiser has appeared baffled and embarrassed. Then, last week evasive and was submitted concerning Imperial Oil's warm relations with a so-called "independent" chain of discount stations, and it finally looked as though Ottawa could justify the millions of dollars it has spent researching and prosecuting this case. And, while Imperial's actions were not illegal, they did indicate that Big Oil is indeed trying to discipline the smaller dealers and maximize its profits at the pump.

The turning point came when Jack Bobillard, chairman of a Brampton, Ont.-based chain of 42 gasoline stations called Sobe's International Inc., testified before the Restrictive Trade Practices Commission (RTC). Bobillard told the commissioners that he considered himself an independent dealer. But the government produced documents demonstrating that since 1977 Imperial Oil essentially determined the pricing policies of Sobe's stations and had helped finance Bobillard's 1987 takeover of Sobe's with a \$150,000 interest-free mortgage. Bobillard did not even hold legal title to the gasoline he pumped; instead, he took an eight-per-cent-per-gallon commission from Imperial and in his contract with Canada's longest oil company was described as an "agent of Imperial Oil."

There is no suggestion that such close arrangements break the law. "The question is whether it should be illegal," says Denis Corneau, executive director of the Canadian Federation of Independent Petroleum Marketers. It is conceivable that Imperial could sue Sobe's as "disloyal" after independent dealers attempting to match discount pricing to widen the share of the market. If Imperial Oil used its market clout to crush offending stations, it would leave the companies open to charges of predatory pricing—but as consumers' pitiful agents of Imperial

real, the ostensibly independent Sobe's could force competitor prices down with the knowledge that the next day's earnings will come at straight commissions. Even Petro-Canada is seeking such arrangements, as well as permitting "partnership programs" in which it buys equity in independent stations to recognize acquisitions made by the former director of competition policy, Robert Bertuzzi, that such major oil companies as Imperial Oil "shall be forced to divest enough of their retail outlets so that half the gas stations in Canada would be independently operated." The current figure is about 39 per cent. Only that way, Bertuzzi suggested, could the public be protected from the possibility of unusual pricing arrangements among the majors.

As far as Bobillard was concerned, he could raise and lower his price independently of Imperial—he simply had to report his price changes daily. And should his stations' prices fall below the established floor price, he had to telephone the changes to Imperial immediately.

Already this year gasoline prices have swept the country as stations battle for a share of the shrinking market. One line has been selling at below the wholesale price in Brampton, Ont., and in Quebec City. Vastly more independent dealers are afford to sustain the kind of losses incurred in Brampton, where prices fell to 39.9 cents a litre, 18 cents cents below the Ontario wholesale price. For an average-size station pumping four million litres a year, that amounts to weekly losses of \$5,400. "This is a flight over insurance sums of money," Corneau says, "and that money goes to either the majors, the independents or the consumer."

With the contribution about a year away from making an import and competition policy still on the back burner, Corneau believes the independent operators may soon be eliminated from that equation. If moreover discount sellers disappear, it would leave only the majors to keep gas prices competitive. Given the kind of deal Imperial Oil struck with Sobe's, there is much evidence that competition is what the major wants. As Denis Corneau says, Sobe's "shouldn't work if everyone else does." Sobe's will match the lowest price, regardless of the cost. "Why would they [prices] ever drop?" Indeed, in a self-disciplined market, they probably would not.

JAN ANDERSON • Ottawa



Sobe's station in Brampton, not so independent

because few are prepared to endure price wars when they can sleep soundly with the knowledge that the next day's earnings will come at straight commissions. Even Petro-Canada is seeking such arrangements, as well as permitting "partnership programs" in which it buys equity in independent stations to recognize acquisitions made by the former director of competition policy, Robert Bertuzzi, that such major oil companies as Imperial Oil "shall be forced to divest enough of their retail outlets so that half the gas stations in Canada would be independently operated." The current figure is about 39 per cent. Only that way, Bertuzzi suggested, could the public be protected from the possibility of unusual pricing arrangements among the majors.

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JAN ANDERSON • Ottawa

BUSINESS WATCH

A New Deal for Canada

By Peter C. Newmark

As Finance Minister Marc Lalonde began a cross-country pilgrimage last week in preparation for drafting his March budget, he found himself confronted by a baffling economic paradox: most of the elements required for an economic recovery are in place—but nothing much is happening.

That's why his first budget has to be explanatory in both tone and content, providing a badly needed psychological boost to a fragile economy still hanging on the ropes. The task is to create such a bullish climate without further ballooning the federal budget deficit, already swollen past acceptable levels.

Lalonde's response, expected to form the core of his budget, includes the establishment of a new agency, to be called the Canada Capital Corp., which will pump risk capital into domestic industries, and the launching of an innovative new Mortgage Renewal Protection Plan. Legislation for certain schemes has been finalized, but the details are not nearly bureaucratic bureaucratic bloat. Instead, they are being written by the sectoral experts in private industry, law and legal loopholes.

The Canada Capital Corp. would act as a government-operated merchant bank, solely modelled on two international precedents. One of these, the Reconstruction Finance Corp., and by Franklin Delano Roosevelt in the 1930s to provide emergency financing for companies unable to get private loans without prohibitive expense, was an economic engine that helped drive the United States out of the Great Depression. It pumped \$13 billion into the U.S. economy before it was wound down in 1933. Possibly a close contemporary model is the American Industry Development Corp., which taps the international money market on behalf of that country's rather narrow industrial base to provide development funds without drowning down ownership positions.

The details remain to be worked out, but at the moment the Canada Capital Corp. is being planned as a neutral fund, not designed to create any revenues for the federal government or to import Ottawa any further into the private equity sector. In effect, it would allow companies to obtain inexpensive loans without mortgaging their prospects. It is basically a riskaverse scheme, and participating companies are key users of the

economy would have to repay their loans through a surtax that would include interest, but only when they can afford to do so.

The second planned budget initiative would have a much more direct impact on consumers, providing for the first time effective protection against higher mortgage interest rates. The idea is so attractive because Liberal economic strategists believe that it's partly people's worries about keeping up their house payments that is keeping consumer expenditures at such dismal levels—and that, once they are freed from the charge of renewables, there would be a guarantee of an increase above a certain level. The premium charged would be from 70 per cent to 15 per cent of the principal over the term of the mortgage. It's a user-pay insurance plan designed to provide Canadians with a safety net for the next big spiking in interest rates. Ottawa would pick up the costs of administration, but the actual financing would be done by buying off the financial future's surges.

At the moment, only the Chicago market provides the liquidity for substantial trades in this volatile area, but the Toronto Stock Exchange has launched a pilot program to get into mortgages, done by midyear. A Toronto Stock Exchange committee, headed by Elton and Mavis of MacLeod Young Wair Ltd., has gone through the site, practical and is only seeking further refinements before the exchange's board of governors makes such options trades available.

"Mortgage insurance," says John Danckwerts, a vice-president of the Housing and Urban Development Association of Canada, "would be a significant stabilizing factor in the housing market because we are losing too many sales now due to the preexisting uncertainty. In the United States you can still buy a 30-year mortgage and get some protection, but here more people are in one- or two-year plans." This new scheme has the potential of at least doubling the length of the existing term, taking away a major negative currently impacting the housing industry.

In the end, nothing will really move the Canadian economy as a dual-income pension except the import of a major recovery in the United States. But, until that major recovery is upon us, the Canada Capital Corp. and the Mortgage Renewal Protection Plan are two useful fiscal anchors in an increasingly jittery



Measures in the proposals are practical



side it is put forward as a possible budget item, the plan's feasibility is being tested by Michael MacEachen, an associate with Arthur Andersen & Co., a firm of Toronto management consultants. This is an old saw current to Alton MacEachen's methodology: he had his ideas appraised for their feasibility only after his budgets were tabled.

The idea is that, instead of the present system, which forces homeowners and potential buyers of houses to borrow at current mortgage rates for one or two years with no knowledge or guarantee about the levels they will be charged for renewables, there would be a guarantee of an increase above a certain level. The premium charged would be from 70 per cent to 15 per cent of the principal over the term of the mortgage. It's a user-pay insurance plan designed to provide Canadians with a safety net for the next big spiking in interest rates. Ottawa would pick up the costs of administration, but the actual financing would be done by buying off the financial future's surges.

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A decisive game within the Games

By Suzanne Zwaren

BY the end of last week, mailmen still had not arrived with the extra-long telephone card that had always been a vital office accessory for Calgary olympian Frank King. But the new chief executive officer of the XV Olympic Winter Games Organizing Committee had still adhered to a card that did not allow him to use his travel passes while talking the case and future manager of Calgary's bid to host the 1988 Olympics in back at the switchboard. The 49-year-old King says his association wants this month to negotiate an Olympic planning team, headed basically a triplets in the Games' headquarters. "There really aren't any real faces around, just one less face," he says.

The main task falls to David Leighton, 54, an internationally renowned management expert who was named last March as president and chief executive officer of the Games committee. The former president of the Baffin Centre emerged from his \$180,000-a-year deal special meeting of the Olympic committee's board of directors, headed by King. As lawyers for both sides know, Leighton tried, but failed, to convince the board that his way of managing the Games was the best. Leighton's commitment to maintain that he will be proven right in 1988 when the Games are staged. Meanwhile, King and a new five-member, mostly volunteer executive committee have set to work to give the Games a "time-skip," a retarding agent to speed progress and revitalize the community. "To be fair to Dr. Leighton, I don't think the Games ever fell off track," says King. "But perhaps they allowed a little bit of time."



Leighton perhaps fits Games criteria a little bit

goal. Leighton, who holds an M.B.A. and doctorate from Harvard and was considered to have all the qualifications necessary to co-ordinate the spending of the \$415 million that the Games will cost.

In retrospect, however, his reputation as well organized, tireless and always in control—the point of fairness—garnered ill for the all-in-this-together Board chairman King and the directors who were part of the effort to win the Games for Calgary seem to have allowed Leighton the length of an extra-long telephone card before they needed him back in and

took control again of what Leighton, in the wake of his resignation, called "their toy."

The Calgary Olympic Development Committee (COODA) was a 24-man-old-organization that had failed in three attempts to host the Games. It was revived by the Calgary Booster Club in the fall of 1978, and King and Robert Niven, new head of one of the new planning committees, spent most of the next two years organizing the bid. Once won, planning was handed over to the switchboard. The 49-year-old King says his association wants this month to negotiate an Olympic planning team, headed basically a triplets in the Games' headquarters. "There really aren't any real faces around, just one less face," he says.

King suggests that Leighton did some foot-dragging of his own in carrying out his board directions. "The policies and direction of the board and its solutions to problems needed to be accepted and understood by Dr. Leighton. We weren't confident that would happen," declares King. He adds that no permanent harm has been done, although final venue selections planned for this month have been postponed. King says the new team's first priority is to put "speed, control and direction" into planning. And he agrees with Klein that the underdog spirit that pulled the committee together during the bid has cooled and must be refined. Since the coup, King reports that the Olympic switchboard has been flooded with calls from would-be volunteers. "A tremendous source of energy, and it's good to see it to a point where it's not just a hobby," he says.

At the end of the month Klein expects that his new executives will be well on the way to sorting out the Mount Sparrowhawk-Mt. Allan controversy and another debate over moving the Nordic facilities from Spruce Creek to a Calgary-area ski hill. The federal government has finally finalized its negotiator, and the round-up of volunteers—5,000 will be needed in 1988—has begun. If, as Leighton admits, disappointment that he could not convince the board that his way was the best one, he is not entirely out the cold. In return for his successive settlement of a year's salary, he will act as a marketing consultant for the organizing committee. Neither does he hold a grudge. "I wish them well because the Games are bigger than both of us." And losing legs, too, in the memory of the Montreal Olympic games of 1976. ♦

Working on their handicaps

By Trent Frayne

What Canada's repeated failures in engaging the Soviets on ice down to date is this: if you get highly paid for hardly working, why work hard?

It has become the fashion for National Hockey League thinkers, many of them, to act as the Soviet game as unengaging. If this is so, it really doesn't matter that the Reds keep turning on the red lights back of NHL rinks, then these exercises should be abandoned. As Ted Rogers always used to say, "If winning doesn't matter, why do they keep score?"

In no sense against the Soviets since the original rink in 1972, the Canadians have managed to lose the last three, four, five, six, etc. That's not on this side of the Atlantic, that isn't causing those same exercises at the world-championships each April in Europe.

There are always rationalizations of the wrong time of the year, or the weather, or some matches, with us it's mostly human, with them it's a crusade, there's not enough time to prepare, and the that.

But now, no default reasons apart, that, the excuse is settling on the non-implausibility of playing the existing Russians, of the risk of injury to key players, and (harmless) the loss of face. That's the newest one, this growing loss of face.

It was Ed Snider, the Philadelphia owner, who brought it up. "The Flyers will never participate in a series like that again," the man said after the red-shirts hammered him 5-2. "Getting beaten by the Soviets creates a tremendous amount of self-doubt for the league and the individual teams."

It is as bad as losing to the bad guys every couple of winters makes it mighty difficult for some owners to justify the ever-increasing price of tickets. Why should a fan lay down \$20 or \$30 a pair all through the long, cold winter to watch what the Soviets keep preventing in inferior big-league hockey?

Other owners are now accepting the Soviet invasion, perhaps adapting the philosophy of the kindly old owner of the Toronto Maple Leafs, E. Ballard. In a story I've mentioned before, he responded on a polythene bag to a question in the late fall of 1973 when I asked him why he hadn't booked either of two touring Soviet teams for Toronto to face. "Are you kidding?"—the great man exclaims.

led. "Why should I let those bastards score on us?"

Nothing wrong with that. At least it's better honest (as was Snider in Philadelphia). Players such as Bobby Clarke, the Flyer captain, and Darryl Sittler, the longtime Toronto captain and now a Flyer leader, merely rationalize. "Right now, the NHL seems more to us because we're leading a tough division," Sittler told me. "Sure, we want to beat the Russians, but it's not death or death for them. It's 'They've got to take it.'

Are the Soviets really superior? In their record of six straight series what's a fair reflection on the two countries' hockey skills?

"It is at it isn't," adds a man who claims to be an untrained observer. "They are, and they aren't." The apparent waffler is Bob Johnson, the affable and optimistic and non-stop-talking coach of the Calgary Flames, a guy who spent 15 years coaching the University of Wisconsin hockey team and who has handled U.S. and national and Olympic teams. But he really isn't waffling. Uninvolved in the emotional politics of Canada-Russia, he says that, because of the way the Soviets go about things, "you've got to give the credit to work on the skills of passing and shooting and trapping."

But the real key to Soviet dominance is their unshaking physical condition. Playing six-six teams in nine nights, jumping trees seven four times, always on the road, they were going far stronger in the third period of their sixth game, against Philadelphia, than they were in the first period of their first game, against Boston.

Johnson looks back to February, 1979, when the Soviet national team played an all-star exhibition team in Canada. In New York for their final exhibition, The way in the course of 45, we shaded 6-5 in the second, and then were battered 6-5 in the wrap-up. "Did you notice," asks Calgary's 50-year-old rookie coach, "that the reds did not score a goal after halfway through the second game?"

For this kind of shape, summer-training is amazingly important. "It's hard to maintain condition over the long season. Endurance has to be built from a very broad base, running or swimming or riding a bike for at least 30 minutes every day, year-round. What do that? Nobody. They'd rather play golf." Well, why not? If you get highly paid for hardly working, why work? Right, Igor?

Look, let 'em play America in our game of football and they'd be in the same thing."

At the root is dedication and application. They work at those games, any game. 11 months of the year. This shouldn't provide North Americans with an excuse for the lousy human, as Johnson says, "we can work at it for 11 months, too."

The difference is we don't—and apparently won't. A few years ago, when Ted Lindsay became general manager of the Detroit Red Wings, he ran his hand along A. E. Eagleson, leader of the via-Players' Association, because he wanted to assemble his players in a pre-training camp to have "American-style" Eagleson, a 40-year-old, 180 lbs. part of the players' agreement, and on says has been out earlier than 20 days before the first league game.

"What sense does that make?" asks Johnson. "We have no time to train. As soon as full training opens, the teams launch into 10 exhibition games." And, once the season starts, teams make the excuse that they have no pop left for the Soviets because of the grand of 80 games in those two months, losing out of exhaustion—no time, as the Soviets have, to work on the skills of passing and shooting and trapping.

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Waiting for snow at Mont Ste. Anne (left). Thick powder on Whistler's economic obstacles despite good winter conditions

RECREATION

The ski industry hits a downhill slide

By Brian D. Johnson

A creative winter which has banished Moscow's snow and delivered to the downhill ski industry an eastern North America. Determined skiers have been skipping off chair lifts only to look down on slopes of artificial snow strewn with rocks, grass and ice. After many ski areas in Quebec, Ontario and Vermont were forced to close during the warm and soggy Christmas week, easterners' hopes, first—beginning with a quick recovery were dashed by winter's cold and cold weather in the first two weeks of January. Good conditions and ambitious ski resort developments have left the West today, but poor snow conditions and cautious consumer spending have compared to produce the East's most disastrous ski season in recent memory.

The weather's most critical victim has been Quebec, which depends heavily on the winter tourist dollar. The government's 40 ski areas report that a total of \$12 million—nearly a third of the annual revenue from 120,000 tickets—has already melted away, and millions more have been lost by hotels and restaurants that thrive on the province's ski business. As a result, some 18,000 seasonal employees are out of work. The

stamp is so bad that Luc Larivée, president of Quebec's association of ski resort owners (ASRQ), last week asked the province for aid—but not as a direct handout. Instead, he wants Hydro-Québec to help lower the costs of operating ski lifts by offering special industrial rates for electricity.

The sense of crisis is less acute in Ontario, where skiers are more used to marginal conditions and where skiers

flights from Toronto, Montreal and Ottawa to uproot off the displaced eastern market. (Alberta and B.C. ski packages are usually bought by Americans looking for non-alternatives in the luxury Colorado resorts of Aspen and Vail.)

Meanwhile, the East is having to survive with a bizarre combination of hope and raw resolve since Areas with snow-making machines have managed to stay open by keeping a few runs open, but instead of snowmaking, as the power-supply-starved Mont Ste. Anne, near Quebec City, have been closed for most of the winter. "It's time the government stopped helping closed the bush and installed snow guns," says André Berthiaume, commercial director of the area's main hotel, The Chateau Mont Ste. Anne. The Chateau was down to a manager five per cent occupancy last week, and some smaller hotels in the region have closed until conditions improve. Berthiaume says the situation has left about 700 people out of work in the Ste. Anne area alone.

In contrast, Western Canada, lying under a thick blanket of snow, is eager to take up the slack. Igor Patric, general manager of Canadian Pacific's Balfour Springs Hotel and Chateau Lake Louise, this week plans to ask CP Air officials to create special discount

Despite several centimetres of white relief on the weekend, the eastern ski industry is in deep trouble

coupons more a domestic convenience than a tourist attraction. Nevertheless, over the vital Christmas week many Ontario ski areas report that a total of about 30 per cent of their annual revenue from 120,000 tickets—has already melted away, and millions more have been lost by hotels and restaurants that thrive on the province's ski business. As a result, some 18,000 seasonal employees are out of work. The

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seed early last week as snow poured down outside his office. "And no one can handle losses like that. We have no defendable base for artificial snow," he added, "and the ski resort isn't hurt at all, but it discourages people from going."

Although man-made snow provides insurance against economic losses, it has its drawbacks. "There's a lot of psychology in snow," says Scott Van Pelt, marketing director at Stowe, Vt. "Often, if people don't see snow in their driveway, they won't leave home." Moreover, the artificial snow, made by firing a spray of water and compressed air from high-pressure hoses, cannot be made until temperatures fall below freezing. And the hard, granular texture is easily turned to so by the fire of ski traffic.

"We still it 'emphasized east,'" said an young skier riding the chair lift at Blue Mountain resort on Georgian Bay in Collingwood, Ont., last week. "It's different from the west. 18-year-old Dan Apperson of Toronto, who was spending the final day of his ski vacation playing cards. "The artificial stuff isn't soft, so when you fall, it's hard."

With 45 km of pipe in its compression-and-snow system, Blue Mountain, Ontario's largest ski complex, 180 km north of Toronto, has turned commercializing planning into a fine art. This year it has rounded up alternative entertainment for people who had already booked a ski vacation in the area. Over Christmas, ski instructors were used to teach karate and chess and classes.

Even with a solid foundation of snow, inventing in a ski development can be a precarious venture. An attempt to build Canada's answer to Aspen—a 500-bed resort paradise of Whistler Mountain—300 km north of Vancouver, has already created financial havoc. With the project partially built, Whistler's land development company was forced to file for bankruptcy protection in October. Finally, earlier this month, the B.C. government took over the company. In the latest fix of B.C. tax evasion of massive, the threat of radioactive waste emanating from Cosmos 1402's nuclear power plant has made the incident a game of planetary Russian roulette.

But even as Whistler struggled to regain its financial balance, Canadian Pacific blithely concluded \$10 million worth of renovations in Alberta's Chateau Lake Louise and opened the hotel for winter business for the first time last month. Hundreds of guests from the U.S. travel industry were on hand for the gala opening, which featured a Japanese party with luggage and champagne. "We're trying to attract the 'Texas skiers,'" said CP's Patric. "They come here and see everyone wearing cowboy boots and ten-gallon hats and feel right at home." These skiers they also have seen a solid base of western snow on nearby slopes. □

SPACE

Russian satellite roulette

Five years after the Soviet satellite Cosmos 954 crashed over a 2,000-km-long swath of the Northwest Territories from Great Slave Lake east to Lake Hudson Bay, Canadians found themselves waiting breathlessly for work for another Soviet satellite shot on Cosmos 1402, a nuclear-powered ocean reconnaissance and surveillance satellite believed to be relatively safe until temperatures fall below freezing. And the hard, granular texture is easily turned to so by the fire of ski traffic.

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Federal officials are not taking the current threat easily. On Jan. 7, two days after the United States announced that Cosmos 1402 was in trouble, a Canadian interdepartmental committee was hastily assembled to monitor the satellite's uncontrolled deterioration of orbit. If it reaches anywhere in Canada, the group's contingency plan call for a swat-like team of radiation experts, medical specialists and assistants to sweep in and clear up any radioactive contamination areas.

In terms, though, amateur conser-

vationists, Soviet authorities insist there is no cause for alarm. They claim that the 5-tonne radar-equipped satellite singly "cannot active reentry" on Dec. 28, breaking into three sections on reentry. They also state that the reactor will disintegrate harmlessly when—in orbit—it reaches the Earth's atmosphere. But Maj. Douglas Kenney, spokesman for the U.S. defense department, says that the Soviets have been too slow to use booster rockets to bury the reactor in deep space as planned. The latest estimate is that it will re-enter on Dec. 28, plus or minus four hours. The Soviets, however, say it will not come down until mid-February.

When Cosmos 954 exploded, the major problem, from a Canadian government perspective, was political because the Soviet government was reluctant to admit responsibility for the crash or that a crash had even occurred. External affairs department officials now say that the \$3-million settlement Canada finally received set a liability precedent that the Soviets would be forced to acknowledge if any other space junk lands in Canada.

From a public point of view, the most contentious issue is that, in the event of a nuclear explosion, radiation could leak. Although Soviet officials have disavowed nothing, most experts believe that Cosmos' 1000-power source is enough to melt the surface—74 kilo tonnes. Still, despite the fact that the sat. 1402 passes over parts of Canada eight times every day, Canadian scientists believe that the chances of the runaway reactor striking the country are only about three in 100. The likelihood that it will hit a populated area is almost impossibly small. Nevertheless, the risks are real. In a reversal of previous policy, the United States is considering nuclear-powered spacecraft operating on at least 100 times the energy output of the Soviet system, although in much higher orbits. And, despite U.S. safety measures, nuclear war may some day occur and man as a source of cross-border terrorism.

—VICTOR PARIS in Toronto



Removal of the 1978 Soviet 2.5-million piece

Components of the cigar-shaped craft plummeted about 1.5 km a day and landed in a sand and gravel quarry about 100 km above the Earth. There were 300 pieces in a total of about 300 pieces of space junk that re-entered and have landed in the Earth's atmosphere every year, the threat of radioactive waste emanating from Cosmos 1402's nuclear power plant has made the incident a game of planetary Russian roulette.

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Stress in the recession

By Shana McKay

There is no point in getting up early, so you get up late. There is not a hell of a lot to do after you have read the morning paper. The central sense of anger and frustration that fill toward stress for putting you in this position soon wears off, and you begin to blurt yourself. Perhaps you don't work hard enough. You start to doubt your professional ability and wonder if anyone will ever hire you again. The worst thing is a growing lethargy that permeates your life. —Gary Drake, unemployed engineer

That is not the future that Gary Drake, a 36-year-old Sudbury, Ont., native, envisioned for himself when he graduated from university four years ago. Last October, Drake, along with 2,000 other engineers at Belding's Volkswagen subsidiary, was laid off. Three months later, with his first child due in May and no job in sight, Drake looks at the future with quiet despair.

There is little solace to be found in the knowledge that he is not alone. The

Stress has long been considered the stuff of personal suffering, but in today's economy the malady is public

malaise is no longer among victims of the current harsh economic times that mental health and social service workers across the country have adopted the term "public stress" to define the malady. "People with a constant state of economic uncertainty, people begin to withdraw and become afraid," says Richard Bragg, president of the Canadian Institute of Stress in Toronto. "They sense a lack of control in their lives and there is a shifting away of self-esteem and confidence." As unemployment shoots toward 1.5 million, as welfare budgets grow larger and incomes are eroded by inflation, worried psychologists and sociologists are not seeing the spread of the malaise beyond the individual adherer to families and entire social structures.

Signs of the plagues are everywhere. In the heart of the depressed forest industry, the *Cross-City* is Prince

Georgina, B.C., has witnessed a 75-per-cent increase in the number of substance-related calls during the past year. Calls about child abuse, incest and wife-beating climbed to 484 from 276 in Cape Breton, where unemployment hovers around 25 per cent. Finally Services of Eastern Nova Scotia has experi-

enced a 10-per-cent increase in its 20,000-client case load. "People are not noticing it and saying that their problems stem from financial difficulties," says Richard Stevage, executive director of Family Services in Sydney. "But when you begin to talk to them, it does not take long to realize that the lack of money is often the biggest contributing factor."

The correlation between economic and psychic depression is evident in Sudbury, where unemployment is the highest in the country. Carolyn Dyer is, clinical supervisor for the Adolescent Outpatient Department at the Sudbury

Regional Hospital, has documented a 200-per-cent rise in the number of youth patients, from 25 in December, 1981, to 50 in December, 1982. "Many of these kids come from families that are going through periods of transition," she says. "They are trying to adapt to role reversals, where the former breadwinner is at home and the mother has gone off to work. Usually, we end up controlling the entire family."

The increasing demands being placed upon the aid organizations ease at a time when many of the agencies are suffering through their own economies

trials. Dyer has begun the new year without three of her nine full-time staff members—they were victims of cutbacks. "And this is at a time when we need more people, not less," she says. In Calgary, Eric Sommerfeld, education co-ordinator for the Canadian Mental Health Association, cites a similar problem. "It's a way, we are worse off than some hard-pressed communities in the country," he says. "We had enough families when things were booming, but now many of our agencies are finding it extremely difficult to cope." The dramatic rise in requests for pro-

fessional counselling is only the most visible indicator of the spread of public stress. Despite a study by Belding's Laurentian University that showed that a majority of families involved in the 1978 Intro strike felt strengthened by the hardship, few Canadians can claim such immunity. High monthly mortgage payments, the soaring cost of energy and food and the burgeoning oil wealth are creating anxiety, even among the employed. Says Nova Scotia's Richard Stevage: "For every person who comes in for a stress, there are three or four stressless others who suffer alongside."

At Toronto's York University, Victor Murray, a professor of organizational behavior, has been studying the recession's impact on members of the business community for the past six years. "Companies have had to use types of reorganization to accommodate the decline in sales," he says. "The immediate response is to laid off in the hope of saving on wages. But then look outside for alternative strategies, there is a cry for belt-tightening—which means layoffs and cutbacks." European studies of beleaguered industries show that economic recovery comes only when companies opt for growth. "Unfortunately," says Murray, "firms never make it out of the belt-tightening stage."

It is the "battering down" of business that worries many who are looking for an end to the crisis. Says Ottawa economist Michael McQuade: "The more business cuts back, the more it reduces demand, which perpetuates additional cutbacks. The danger is that we reach a low point where it becomes impossible for the system to become back." He notes that a similar syndrome occurred during the Depression of the 1930s, although the crash was officially over by 1933, it was not until the beginning of the Second World War that the North American economy really began to improve. "And that's why it's a pretty disastrous measure to take," he adds.

The danger is not for the individual economy to become less bleak and possibly pessimistic. Studies indicate that continuous economic stress can leave people scarred. Cornell University sociologist Glen Elder Jr. has been studying the survivors of the 1930s Depression for the past 20 years. "We followed these people up into old age," says Elder. "Thirty years after the event we witnessed many people who had never regained their sense of self-confidence and who had let go many positive emotions. Any type of change brought them into a crisis situations with which they were unable to cope. In effect, they had never recovered from their own depression." Only the next generation of social historians charting the recessions may well be able to say whether or not history will repeat itself. ♦



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IMPERIAL LIFE

Legal aid squeeze for the nouveau poor

By Fred Blazier

When Leslie Stevenson, 36, was Ontario three years ago, he was able to obtain legal aid for a trial, because he was poor and receiving welfare payments. But now, although he is still on welfare, he has been left stranded by the B.C. legal aid system. According to new belt-tightening criteria established by the government of British Columbia, a charge of marijuana possession against Stevenson, in this case is not serious enough to warrant the funding of the legal aid and law office, which is not likely to draw a lawyer.

Stevenson is one of the countless of a nationwide erosion in legal aid. As the recession forces more Canadians onto welfare rolls, the litigants for legal assistance have also lengthened, straining already tight provincial budgets and defying governmental efforts to reduce public spending. In the late 1980s and early 1990s all 10 provinces enthusiastically launched legal aid programs, with the goal of providing free or low-cost legal representation to anyone unable to afford private counsel. But now funds are beginning to run short in most provinces. The number of people seeking assistance rose by about 30 per cent last year in both criminal and civil law areas, and especially in wrongful dismissal and debt-related cases. Like Stevenson, many seeking legal help for something as a child custody battle as a home foreclosure are now unable to get it.

British Columbia, for one, recently surrendered to the financial squeeze by dramatically reducing its legal services Society staff and toughening client eligibility requirements. As a result, there are 6,000 people in British Columbia who need legal aid and cannot get it," says Vancouver lawyer Craig Patterson.

The Rising Demand
Percentage growth in legal aid applications between 1981 and 1982



* In part due to introduction of legal aid for civil cases in 1982

** represents cases accepted by legal aid; not applications received

cases (often uncontested) cost the Ontario Legal Aid Plan \$13 million last year. But many legal aid officials and private practitioners say reductions in legal aid funding deny poor people the fundamental right to equal justice.

The nouveau-poor—formerly middle-class Canadians now victimized by the recession—are the main reason for the swelling numbers of prospective legal aid clients. "We are seeing people who until recently were working as teachers, engineers and bookkeepers," says Greta Green, a 30-year-old Ontario Legal Aid Plan lawyer from London, Ont. "Now, 'Once a year, suddenly they cannot afford to pay for legal services.'

The massive erosion in Canadian legal aid services were made last October in British Columbia, which faces an expected \$1.6-million legal aid deficit for 1983-84. Twenty of the province's legal aid staff members were reassigned (another 13 will go in April), a \$300 fee was imposed, and payments made to private lawyers taking legal aid cases were raised back per retainer. In civil cases the society now provides legal representation only inrimonious disputes in which there is a danger of violence or where child custody is an issue. It will assist in criminal cases, says B.C. Attorney General Allan Williams, only when there is "a probability of imprisonment," even though the province's legal aid constitution calls for representation when there is any chance that the accused could be imprisoned.

Last month thousands of lawyers from the B.C. Law Union and the B.C. branch of the Canadian Bar Association petitioned the government to lift its restrictions on the grounds that legal aid is an essential service. "The cutbacks are an attack on the segment of the bar that works for the poor, the criminal and the disadvantaged," features Patterson. But B.C.'s Social Credit government says it is only being fiscally responsible. "The discipline, restraint and efficiency must be accepted by all government services,"

Other provinces are considering charging fees to legal aid clients. The prospect of further reductions has prompted a small debate. For one thing, legal aid offices charge that balloon fees and charges with trivial disputes abuse the system. Last week Chief Justice Gregoire Rivers of the Supreme Court of Ontario noted that diverse

Ministers standing down on request



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says Williams, who warns that further service cuts may be required to bring legal aid spending into line with his government's budget expectations.

Legal aid offices have predictably stirred public opposition. In Manitoba last month, demonstrators gathered outside the Palais de Justice to protest a proposed user fee for legal aid services. Quebec's Commission des Services Juridiques, the province's legal aid service, subsequently dropped the idea, but the Quebec cabinet announced instead that for the second year in a row it would freeze income eligibility levels (starting at \$470 a week for single persons), above which applicants must generally hire their own lawyers or represent themselves.

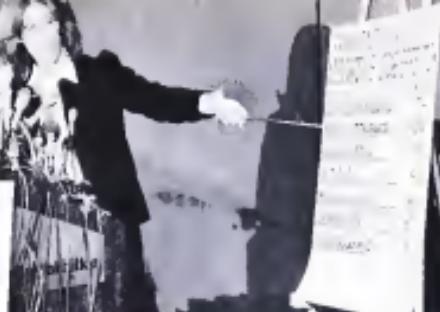
Only Alberta, Saskatchewan, and Manitoba are maintaining past standards of legal aid delivery. Nova Scotia has moved to curtail the number of people receiving legal assistance by reducing the number of staff lawyers who exclusively handle legal aid work, while Newfoundland has terminated its legal aid service entirely.

A different form of attrition is being practised in New Brunswick and Quebec. Both provinces allow private lawyers to accept as many legal aid clients as they want but the province keeps a tight lid on fees paid for legal aid cases. In a major austerity move, New Brunswick will reduce legal fees that much for private law practice even by as much as 40 per cent. Ontario legal aid fees have been frozen since April, 1978, until a 16-per-cent increase was announced last week. And many Ontario practitioners say the payments often represent as little as one-third of what they would make acting for private clients, with the result that quality is sacrificed. "Lawyers aren't saving," says Toronto litigation lawyer George Zigar. "There comes a time when you will do less work on one person's case than on another's because you're not getting paid enough."

The debate over the merits of legal aid cutbacks will sharpen this month as provincial cabinets begin preparing their 1983-84 budgets. Some lawyers say they will fight legal aid restrictions on the grounds that the right to equality before the courts is constitutionally protected. Legal aid supporters even suggest that the cutbacks are economically self-defeating because they will inevitably produce more legal sentences.

But the ideal of justice for all may prove to be too expensive. There are too many repeat offenders and too many lawyers "dragging out trials with their tactics or stalling," says Toronto Assistant Crown Attorney Robert Ashe. "Given the economic hard times, I don't think we have much choice."

Bob Davis Lawlor in Vancouver



Health network spokesman: Raoul Crevier points out Depo-Provera side effects

HEALTH

Trials of a contraceptive

It sounds too easy: a no-fail contraceptive that lasts for three months, does not contain estrogen, and eliminates menstruation. Depo-Provera, made from the synthetic hormone progestin and administered by injection, is being promoted by such health care heavyweights as the World Health Organization (WHO) and the International Planned Parenthood Federation as a safe and nearly foolproof contraceptive. In fact, during a five-day U.S. Food and Drug Administration (FDA) public advisory last week, members of these groups were among the witnesses who testified on behalf of the Upjohn Company of Kalamazoo, Mich., manufacturers of Depo-Provera. The company is trying to convince the U.S. regulatory body to approve the contraceptive. Depo-Provera has long been approved for the treatment of uterine cancer in the United States and Canada. The drug has also been used to halt the menstrual cycles of mentally handicapped women. Still, the FDA remains skeptical.

The FDA has opposed human use of Depo-Provera for birth control purposes since Upjohn first applied for effectiveness in 1975, and its stand is supported by the U.S. National Cancer Institute and Ralph Nader's Health Research Group, among others. At last week's inquiry they reiterated their main concern about the drug: no laboratory tests conducted during the 2700 trials have developed breast cancer and two monkeys contracted uterine cancer after long-term use of Depo-Provera. For its part, Upjohn says the stud-

ies produced results that do not apply to humans. Company spokesman Leigh Beiley says that, in numerous company and independent (international) studies as well as during the past 20 years, "there has not been one single related case of cancer." Indeed, more than 35 million women in 54 countries now use this birth control method.

But controversial reports on possible health risks have left a number of medical experts unswayed. Dr. Robert Hoover, an epidemiologist at the National Cancer Institute in Bethesda, Md., told the inquiry that "the existing epidemiologic studies of Depo-Provera are inadequate." Adding weight to that opinion are charges by the U.S. National Women's Health Network that the drug also causes bleeding and severe depression.

Troubling questions have also been raised by a 1981 study of 530 mentally retarded women in Ontario institutions who were given the contraceptive. Dr. Donald Edele of the University of Western Ontario, who conducted the study, says he found three cases of breast cancer. "It was startling," he says, "especially since the women were 40 years and younger."

The FDA Inquiry board's decision, which could take months, will undoubtedly be the bottleneck. Until the controversy surrounding Depo-Provera is resolved, however, North American women will not likely be easily attracted by the convenience of the no-fuss birth control method.

—Anne Kish in Toronto



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Facts About FOSTER PARENTS PLAN

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Midwinter influenza blues

By Ernest Hillen

It is winter, and, inevitably, people are blaming the flu for almost every pain, ache, sneeze, sniffle, stuffy nose and temperature elevation. Across the country there are high rates of absenteeism and overextended hospital emergency departments. Even though it has won the attention of the world's medical and influenza experts are worrying about what might happen next year or in 2005, when another major worldwide flu outbreak is expected.



Dayton in Ottawa lab: "when the time comes we will have the vaccine, but will anybody take it?"

This year's version of the flu—mostly the A Bangkok strain (the other two major strains are A British and B Alaska)—was first isolated in Alaska in late October and then in British Columbia in November. It is now that has travelled eastward. Health officials say it seems to have peaked during the Christmas holidays, though the traditional flu season can last well into April. Dr. Alastair Clayton, head of the Laboratory Centre for Disease Control (lcdc) in Ottawa, estimates that by next week the worst will have passed.

British Columbia and Quebec appear to be the hardest-hit provinces. Dr. Timothy Johnson, director of epidemiology with the B.C. ministry of health, reports that absenteeism in West Coast schools reached 30 to 35 per

suspects that the high incidence in children is due to crowded classroom conditions and slouched personal hygiene habits.

By mid-January positive confirmations of generic flu victims from across Canada numbered 228, compared to 314 by April 1992, and 689 during the winter before. "That doesn't seem much, considering our population," says Arnes. He points out, however, that physicians are seeing far more patients than they did last year and plenty of liquids. When symptoms grow extreme, doctors might prescribe antibiotics. As a result, it is seldom necessary to have a virologist and a lab to quickly identify an influenza virus. "We only do this now," says lcdc's Clayton, "but that the influenza virus has been around all to have happened at about the same time."

Although few flu cases are life-threatening, doctors urge the chronically ill, the elderly and those suffering from diseases that suppress the body's immunity systems to have yearly vaccinations. What Clayton fears, as do physicians in the United States, is that the A Bangkok strain, which is always mutating, is due for one of its 10- to 15-year "shifts" into a more virulent form. "The world would then be open to a mutated micro-organism that could sweep through the unprepared population." (The world-wide outbreak of influenza in 1918-19, killed 20 million people, about 30,000 of them in Canada.) "I predict," says Clayton, "that this shift will happen in the next two or three years."

In Montreal, Dr. Louis Gauthier, head of St. Justine's Hospital's emergency medicine department, says, "Normally, we see around 5,000 children in December. This year we treated about 8,000. About 75 per cent of them had flu symptoms." Complaints included headache, muscle aches and aacking cough, along with vomiting and diarrhea.

Flu-related illnesses tend to spread first among children, according to Dr. Stan Arnes, chief of the communicable diseases division at lcdc. Transmission occurs when an infected person expels the virus by coughing or sneezing. Arnes

suspects that the high incidence in children is due to crowded classroom conditions and slouched personal hygiene habits.

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stroke-lit interiors of the mind. The title story is a challenging parable of omnipotence and individual devotion, with a hero who is having a love affair with his wall calendar. The shortest work, hardly seven pages long, is a definitely sour, unsettling echo of *The Men Who Came to Dinner*.

The recurring message in these stories tells the reader to celebrate spirit and honor the power of meaning and giving up the need for light. The title is apt and sharp. The title story means that "every instance, including those only marginalized, is an affair of the soul." Brian Donowho, in a swoony dream of his death by himself, "made one last effort to stand—one last chance that his life was not yet over." And the final story—"of a woman who tries everyday to make the best of her life, even in a matter of change." The best is tomorrow. Novels of Hender's characters is a shot in the eye give the light. As the mad woman says, "Life can't."

The *Death Control King* of the Upper Volta may appear unusual. Some of the process may seem to be only studies for future weeks to come. But even the sketchiest stories establish a mood and set out a clean-edged slice of jolting fact. They reach for an effect and capture it. And they make people warped, splattered, naked around the edges—men and women trying to hold off despair and disintegration. These are memorable people, all of them

—DOROTHY HILL

FILMS

A good place to come from

INDEPENDENCE DAY

Independence Day, which arrives unheralded, has such a casually original tone that for a while the movie actually seems tentative and unfocused. The writer, Alan Hoffman, cuts a pro-

only involved, has just returned to Mercury after not making it as a racing car driver. The Parker family is the flip side of the case: the father does not even bother to greet his son on his homecoming, calling him a "loser." The son-in-law (Clyde Young) flies into uncharacteristic jealous rages and beats his wife (Dianne Wiest) to a pulp.

Cleverly, both Hoffman and the first-time director, Robert Mandel, work on the audience's sense of humor (the characters have a sort of drawing, the audience is asked to look at it) and the audience's sense of the absurd (the characters are asked to look at the absurd). *Judapest Days* is one of the few movies in recent memory in which the audience is unlaughed by stars. Mandel's direction, while occasionally drawing too much attention to his players' work, is suspiciously simple (he superbly handles action, giving rise to scenes of almost unbearable giddiness). Quaid and Keith are especially adept at creating small-world drama, and they have a deep chemistry for such scenes without a heavy hand. And Quaid shares a few small scenes with Stepanek that is bound to crack the hardest heart. But are the real finds of *Judapest Days* the West and De Young as the shammed, battered wife and the battered, yet kindered, husband? Any-

are wishing to see an example of a strong ball need look no further.

—Lawrence O'Toole

An illustrious stage in transition

"I feel like the Hunchback of Paris," says Marilie, and Utao Griffiths' last walk as Toronto's most venerable alternative theatre opened its 20th production in 14 years, O.D.'s *Paradise*, coauthored by Patrick Bryne and Griffiths. The militantly esoteric performer has not been seen in her traditional haunt since 1988, when *Mousette and Pierrot*—her experimental collaboration with Paul Thompson, Theatre Finn Maricille's former artistic director—was born. For 32 years, she has worked with starlet New, her latest work, a quirky and insightful probing of befuddled Canadian tourists on Jenness's beach, highlighting significant changes at *Parasol*. Marilie, directed by Thompson's successor, Clarke Rogers, designed by associate director Jules Platon and featuring the theatre's other associate director, Louise Cole,

Giselle, former artistic director of Tarragon Theatre. "But it's a particularly Canadian approach that will stay with us." With Rogers' stage to work on scripted plays, Thompson felt that Toronto was no longer the place to practice his art. However, he will continue on a project basis in what he calls "power places," such as Edgewater, Saskatchewan, Montreal and St. John's, where the collective tradition still thrives.

At *Parasol* Marilie's shift in direction has been pronounced. Her focus is in working with actors and stage development; her most notable success has been Judith Thompson's *The Crookshank*, which originated at *Parasol* before blinding off last February at Moncton's Casino Theatre. This fall Rogers struck his claim by presenting their first play with a generation (Shiva Thug, The Green Det-

ice standard), and the appointment of Paxton, one of Canada's most acclaimed designers, represents another new direction for the theatre. Design has never been *Parasol* Marilie's forte, partly because its building—a converted bakery built in 1905, now designated a historic site—is divided into three awkward playing spaces. Maintaining it in good repair has drained energy and resources, but next year Paxton, tapped "the master of time and space" by Rogers, will supervise the joining of the upstairs and downstairs theatres.

O.D. (Dominique) has *Parasol* Marilie a work by pointing its centre and creating an organic interplay between text and action. The first night of the production was at 20th Street. Paxton decided that O.D. needed an assistant to set up. Now it plays in the round inside a rectangular stage with palm trees, 20 boxes of sand and water lapping at the beach.

Parasol Marilie has high economic hopes for O.D., since carnivals still is a major concern. Natural problems of transition have been aggravated by changes in administrative style. "Thompson was so charismatic—he had a very different way of looking at things than Clarke at every level," says the theatre's former general manager, Susan Stevens. As Rogers evolves his own methods in theatrical times, lines of communication are becoming increasingly strained. "For example, we've exchanged last names, and each other's were so acute that only city payphones to Griffiths and Thompson for *Mousette* and *Pierrot* were regularly defaced." But Rogers is assiduously paying off debts and will scale down future productions or lay off staff rather than increase the deficit.

Ultimately, however, the theatre's fate depends on its human resources, including creative and dedicated professionals. The original members of the *Parasol* Maricille collective still follow after Peter, who regresses at Christmas to kids off the second half of the season with an unexpected hit. The merging of old and new blood should revitalize a company that, after persevering two decades before presenting it ready for restaging.

Rogers also wants to improve produc-

—MARK CHAMBERS



Nancy Beatty, Sharon Dyer, Stacey Staats, J. Winston Carroll and Nicky Gonnella

ers, in a leading role, O.D. has been given the royal treatment by the new guru.

Thompson's exit last spring sowed a protracted power struggle between himself and Rogers, then his associate director. Collaborative decision-making—work collectively created by actors who thoroughly research a subject and improvise scenes until a full-blown play emerges—is his trademark. His most enduring achievements were *The Farm Show* and *Rick Griffin's 25th*, but in recent years the theatre sagged. "The fashion for the *Parasol* Maricille deglamour has had its day," notes Bill

Griffiths, and Bill Tandy is welcomed as a director, reinterpreting his operational cash flow. However, his ruthless critics who preach box-office objectives "The important thing is not to develop box potential," he says. "It's to give the playwright a hearing. If we are to continue our new works mandate, the criteria must be acting, not economics." Rogers maintains O.D.'s typical feckless after-directing the original production at St. John's 25th Street Theatre last winter, he supervised two revives before presenting it ready for restaging.

Rogers also wants to improve produc-



Philip and Giselle: acclaimed performances in a colorfully inspiring drama

TELEVISION

A deadly intelligence test

SMILEY'S PEOPLE
cbs, Jan. 20, 27 and Feb. 3

Although its much-maligned second season has become so hot that even the royal bechdel is not impervious to casual callers, *Smileys* still rules the waves upon which the espionage thriller sails. The adored of the fleet is an ex-spionette called David Carrey, aka John K. Carrey. His two latter-day works brought to television by the new *Smileys*, *Taylor Soldier*, Sept. 20, 2000, and new *Smileys*, *People's People*, premiering Sunday, are quiet, cerebral drama. And television has proved to be a superb medium for it. Carrey's tales of the shadowy, mysterious lives of each series affords the exhaustive scope they need to unravel.

In Carrey's 1980 novel and 1986 movie, *The Spy Who Came in From the Cold*, showed a conspiracy-mad public how well the grimy subterfuges of the Cold War could be realized in the techniques of an unscrupulous, humanistic author. This was so in Fleming's sprightly bright heraldic jazz about villainous agents and naiive villains but a craftsman who might have been schooled in *Ice Campion-Burnett* and *Marvin Frost*. Le Carrey's most fully fleshed

creation is George Smiley, a dogged professional working for the Circus, a superspy state in Britain's labyrinth and searching intelligence network. In *Taylor Soldier*, Soldier, aka Smiley, was brought back from retirement to resolve a "real," or double agent in the woods. He ultimately triggered the man who betrayed not only the country but Smiley himself by having an affair with Smiley's free-spirited wife, Anna.

Smiley's People continues the design tradition that is Carrey has been bringing. Smiley's annual return is again marked by a sense of events that point to the acknowledgments of his sometime, his erstwhile adversary, known as Karla. To sell out the truth, Smiley nearly but dutifully cuts through the hermeneutic perspectives of the self-sacrificing apparatus, consisting of using cold servants, independent operatives working out of dubious curvy shapes and disguised Baltic smog.

Jawly and spectacular, Alan Garner's as Smiley endures a terrifying infidelity. When despite trying to kiss a long-dormant fact out of a navel or germinating colleague, his eyes are downcast, they look like Brett Davis' when he is staring into the fathomless

distance where he caught unearthing the secret of the possible. Glassed and taut of speech, he belligerently turns to, perhaps, his deadliest friend, Connie (Beryl Reid), former head of research, reduced to a dog kennel in Grafton with her bollies and a young blonde-Moors woman who does as her Connie in the Provençal hinter of the narrative. Her nautical memory is the ultimate record of all the infatuations, the dalliances and where the bodies are buried. Their bitter-sweet confrontations play like the best theatre.

Jaded, all the actors in this already cast, talk-ready drama force characters whose manner of speaking reveals their vanities and fears. Bifield, Atkins, the Hughie in the plot, enjoys the mordant dry-cleaning of a female imagined as a female fantasist. As an infantile Ann Sothern, Stan Phillips radiates the kind of charm that inevitably leads to death. And two actors who have played one-dimensional villains in James Bond movies—Michael Lonsdale and Carl Jeppe—have as human beings instead of caricatures. The realistic scenes shot on location and the evocative photography—particularly extreme closeups of possible chom (hamburgers, a plate with half a salami, a tin box of yellow chalk)—serve as worthy backdrop to imperative acting.

While Le Carrey's plots do not have the drive and plausibility of Fleming's, they are equally extraordinary in their own, mythic way. More the hour to Eric Ambler, whose British tales feature grandiose destruction, not brush computations, as Carrey does not shirk shadowy who-did-what scenes when and where it brings partial truth to a dramatic right. In "The Spy Who Came in From the Cold," the nation in which Miami is held for ransom by threat of nuclear holocaust. Much more banal, the rivalry between Smiley and Karla is conducted like a chess game by postscript to the course of those decades by mortal enemies finally one of the aged but replacement partners who puts together the few moves that mean end game. The self-effacing victim, upon being congratulated on, wagging, almostendearingly replies, "Did I?" Yes. Well, I suppose I did." This is an apt metaphor for a splendid story, where bold acts of right and wrong are shrouded in manifold shades of grey.

—BILL MCNAUL

Who was that MP in the towel?

By Allan Fotheringham

A man returns to Ottawa, thankful after a long holiday sojourn away so as to accommodate his annual brain transplant, he sees it has been our winter in the provinces. Parliament is not in session. Even the brooding Ottawa climate, which supervenes over Ulster Baker's as the mostugal of any capital on the globe, has been as much as Ulster Baker's personality. The prime minister is abroad in some effervescent, embossing himself to his electorate back and the pollsters in the GPO lobby by suggesting that "everyone else" is in Canada as a skier or in the Caribbean. The Tories continue their age-old practice of cutting their jargon. Jim Clark, making a tour of the numbered and alphabetized delegates of the 5380 who will gather in Winnipeg, Peter Worthington, who still controls the pre-graduate process of The Toronto Star in the highest ranks of the land, the one team, the Tories, can't wait as they are to regain government.

Given the longitude (on the Liberal side) and the iniquity (on the Conservative side), this man of boredom has seized on the only matter of importance that has occurred over the long holiday season: the MP in the towel! He dominates the cocktail parties, has put the press into a post-Christmas tizz, and enlivens the gatherings of wined serenades, in which previously the most lively conversation was the heated debate over内阁 positions, the subject that in Ottawa replaces berger as dinner-table talk.

The identification of the MP in the towel, you see, is the only thing that matters at the moment in Ottawa. The MP appeared in his towel (government) towel in the corridors of our beloved Parliament, where all the major decisions of the nation are decided. He [an, to be fair, she] made the wrong decision.

The situation is that said MP, perhaps bound by the Christmas solstice, was engaged in a favorite indoor sport with a lady friend when one of the young Allan Fotheringham is a columnist for *Southern News*.

main pages snatched into the MP's office and was charged to discover the distinguished lineage of the people flagrantly delinquent. Being disengaged as well as shocked, she immediately fled, like Elton over the sea floor. Our distinguished MP, such was his mistake, fled after her, and only in his government towel, to plead with her not to smite. His lady friend, appropriately enraged at his decision to interrogate the bared action to protect his reputation, shooed the door and locked it. Said MP, one of the 5380 who decide our fate, was left panting in the marble hallways of the GPO lobby by his wife.

One Montreal MP has taken to phasing the wifey visitors so as to put on the record the fact that he is not the man seen in question a dress, she suggests, that might not have elicited such a fine time in that city where flesh is a daily ritual. After extensive research, I have determined that it was not the Toronto Liberal back-bencher, Ray Balano de Corsella. He was not any Liberal from British Columbia, I have found. Although we have been fascinated this century by backbench prime ministers, most MPs—in they should be for the mental health of the nation—are married. So there is a responsibility to those who are innocent of this vile conduct.

It was not, I can state with certainty, any Liberal cabinet minister whose name ends in R. It was not, and I make my reputation on this, the MP's friend Barbara. So fully concerned about my own situation, I investigated and found, to my relief, that it was not the MP of my riding, Patricia Currie. It can be assumed that it was not a representative of a provincial one of the 12 provinces.

A possibility would be without iniquity if he did not clear them who are innocent, while the capital pants in curiosity and anticipation. The most likely is to know them now as in the *Grade Manager* paper. This time, the traitor is Jim Christie, a man. Bob Nystrom is out, it was not even Guy Hees. Judy Keays was not involved. There is not a government-towel crowd that would accommodate Walker Baker. And Steve Papernick doesn't wash. It is my duty. I must protect the innocent.



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